

**1999**  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



CALIFORNIA STATE TEACHERS'  
RETIREMENT SYSTEM

A COMPONENT UNIT OF THE  
STATE OF CALIFORNIA  
JUNE 30, 1999



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**California State Teachers' Retirement System**  
**A Component Unit of the State of California**  
**1999 Comprehensive Annual Financial Report**  
**for the year ended June 30, 1999**

Prepared by the staff of the California State Teachers' Retirement System  
 7667 Folsom Boulevard Sacramento, CA 95826-2614  
 James D. Mosman, Chief Executive Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## California State Teachers' Retirement System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



  
Cary Brubaker  
President

  
Jeffrey L. Esser  
Executive Director



Public Pension Coordinating Council  
**Public Pension Principles**  
***1998 Achievement Award***

Presented to

**California State Teachers' Retirement System**

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

*Presented by the Public Pension Coordinating Council, a confederation of  
Government Finance Officers Association (GFOA)*

*National Association of State Retirement Administrators (NASRA)*

*National Conference on Public Employee Retirement Systems (NCPERS)*

*National Council on Teacher Retirement (NCTR)*

A handwritten signature in black ink, appearing to read 'Scott Engmann', is written over a light blue horizontal line.

Scott Engmann  
Chairman

# CEO Letter of Transmittal

December 20, 1999



California State Teachers' Retirement System  
Post Office Box 15275  
Sacramento, CA 95851-0275

I am pleased to present the Comprehensive Annual Financial Report of the California State Teachers' Retirement System for the fiscal year ended June 30, 1999. The report is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions and determining responsible stewardship of the Teachers' Retirement Plan and the CalSTRS 403(b) Program. (Please note the Teachers' Retirement Plan consists of the Defined Benefit and Cash Balance Benefit programs. Effective January 1, 1999, the Cash Balance Plan was combined with the Defined Benefit Plan to become programs within the newly named Teachers' Retirement Plan.)

I believe this report will be helpful to the California Legislature, CalSTRS members and other interested parties in understanding the California State Teachers' Retirement System, established by law in 1913 to provide retirement benefits to California's public school educators. Responsibility for both the accuracy and completeness of the financial data and the fairness of the presentation rests with me and the management of CalSTRS.

The events and developments of the year mark a threshold for CalSTRS. Thanks to excellent investment returns and the achievement of a fully funded status, CalSTRS is entering a time of increased opportunities for the members. Those members, as of June 30, 1999, included employees of approximately 1,160 school districts, community college districts, county offices of education and regional occupational programs (listed starting page 86).

The 1999 CAFR consists of five sections:

The **introductory section** contains this letter of transmittal, the administrative organization, report of the Teachers' Retirement Board chairperson and a review of CalSTRS achievements and activities.

The **financial section** includes the report of the independent auditor, the system's financial statements and supplemental information for the Teachers' Retirement Plan, Cash Balance Plan and CalSTRS 403(b) Program.

The **investment section** contains a consultant's report summarizing investment activity, an explanation of investment policy, portfolio performance information and various investment schedules for the Teachers' Retirement Plan. Investment of the Cash Balance Benefit Program contributions is also discussed. Investment information is not included for the CalSTRS 403(b) Program since all investments are member-directed into mutual funds.

The **actuarial section** includes the actuary's certification letters and summaries for both the CalSTRS Defined Benefit and Cash Balance Benefit programs, in addition to the results of the latest actuarial valuations.

The **statistical section** includes information on the CalSTRS Defined Benefit Program, Cash Balance Benefit Program and CalSTRS 403(b) Program.

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**Accounting and Reporting**

CalSTRS accounting records are maintained on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer and state contributions are recognized when due and the employer or state has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the CalSTRS retirement programs.

Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

For the reporting period ended June 30, 1999, the Teachers' Retirement Plan consists of the Defined Benefit and Cash Balance Benefit programs.

The Cash Balance Plan was combined with the Defined Benefit Plan effective January 1, 1999, and the names were changed to the Cash Balance Benefit Program and the Defined Benefit Program.

**Revenues**

Actual member and employer contribution rates for both the Defined Benefit and Cash Balance Benefit programs are set by the Teachers' Retirement Law, a part of the Education Code, which assigns the authority to establish contribution rates to the state Legislature.

Defined Benefit Program contributions and investment income for the fiscal year ended June 30, 1999, totaled \$15.048 billion, including the Cash Balance Benefit Program from January 1, 1999 to June 30, 1999.

	<b>DB Program CBB Program</b>	<b>CB Plan</b>
	(1/1/99 to 6/30/99)	(7/1/98 to 12/31/98)

Member/Participant	\$ 1.424 billion	\$550 thousand
Employer	\$ 1.476 billion	\$560 thousand
State	\$ 0.350 billion	\$0
Investment and other	\$11.798 billion	\$183 thousand

**CalSTRS 403(b) Program**

Participant contribution rates are set by the Internal Revenue Code. Contribution and investment income for fiscal year ended June 30, 1999, totaled \$12.796 million.

Participant	\$8.675 million
Investment	\$4.121 million

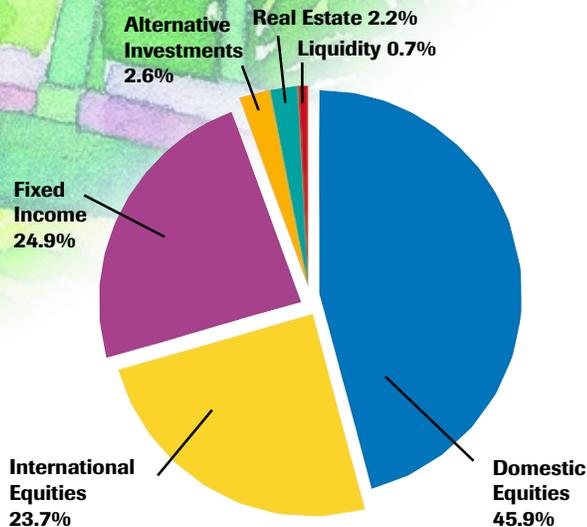
**Expenses**

The total Defined Benefit and Cash Balance Benefit programs' expenses for the year were \$3.463 billion, which included benefit payments, refund of contributions to terminated members/participants and the cost of administering the system. Administrative expenses are allocated through an annual budget approved by the Teachers' Retirement Board.

**Cash Balance Plan**

The costs of the program include administrative and interest expenses and totaled \$432,000 for July 1, 1998 to December 31, 1998.

**Asset allocation (6/30/99)**  
Total investment portfolio of \$99.9 billion



**CalSTRS 403(b) Program**

Total expenses for the year ended June 30, 1999, totaled \$2.052 million, which included recurring annuities and administrative expenses.

**Investments**

CalSTRS is dedicated to obtaining the highest possible return on its investments of fund assets, given an acceptable level of risk. The CalSTRS Investment Management Plan incorporates strategies that accomplish Teachers' Retirement Board direction. Reducing the system's funding costs, within prudent levels of risk, diversification, and reduction of costs associated with managing the system assets are measures that have contributed to a solid investment portfolio.

The market value of the CalSTRS investment portfolio reached almost \$100 billion on June 30, 1999. The \$99.9 billion represented a gain of \$11.6 billion over the same period last year. This dollar gain represented a return of 13.4 percent. Nearly all asset classes exceeded their benchmarks, from the international equity to the private equity to domestic debt. These strong results allowed CalSTRS' portfolio to outperform 79 percent of the others in its peer group of large public funds. While the 1999 results represented an improvement over 1998, these results are significantly better than one year ago, when CalSTRS performed better than only 37 percent of its peer group of large public funds.

**Funding**

The most recent actuarial valuation, for the fiscal year ended June 30, 1998, shows the Defined Benefit Program is fully funded, having 104 percent of the funds needed to pay the cost of the benefit plan in effect in 1998. Under state law, the Defined Benefit Program receives state General Fund contributions set at a percentage of the prior calendar year's member payroll. With the program fully funded, the amount received from the state was reduced since funding for any shortfall was no longer needed (see page 69).

**Initiatives**

The health care benefits project is an extremely important new initiative. In 1998, legislation passed requiring CalSTRS to study the feasibility of providing health care benefits to active members and benefit recipients. A survey of active members, benefit recipients and employers was completed in the spring of 1999. This survey will be the basis for the Teachers' Retirement Board to determine the type of health benefit program to be designed.

CalSTRS is in the final stages of establishing a new and more flexible database management system that will enhance service to members and support future CalSTRS projects. Conversion to the new system is scheduled for July 2000.

**Awards**

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the California State Teachers' Retirement System for its comprehensive annual financial report for the year ended June 30, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The California State Teachers' Retirement System has received a Certificate of Achievement for the last three years. We believe our




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*Thanks to excellent investment returns and the achievement of a fully funded status, CalSTRS is entering a time of increased opportunities for the members.*

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current report continues to meet the Certificate of Achievement Program requirements and are submitting it to GFOA for consideration again this year.

CalSTRS also was awarded the Public Pension Coordinating Council's Public Pension Principles Achievement Award in 1998. This two-year award is for achievement of high professional standards for public employee retirement systems. The award is based on compliance with principles that support retirement system achievements in the areas of benefits, actuarial valuations, financial reporting, investments and disclosures to members.

### **Acknowledgments**

The compilation of this comprehensive annual financial report reflects the combined effort of CalSTRS staff under the leadership of the Teachers' Retirement Board. I commend their efforts on creating another outstanding report. In addition, I take this opportunity to express my gratitude to the staff, advisors and the many other people and organizations who have worked so diligently to assure the successful operation of the California State Teachers' Retirement System.

Respectfully submitted,

James D. Mosman  
Chief Executive Officer

# Teachers' Retirement Board



**Emma Y. Zink,  
Chairperson**  
(K-12 Classroom Teacher)  
San Diego

*Term:*  
November 6, 1991 to  
November 7, 1995\*



**Gary Lynes**  
(K-12 Classroom  
Teacher)  
Hillsborough

*Term:*  
December 1994  
to December 30, 1998\*



**Delaine Eastin**  
Superintendent of  
Public Instruction  
Ex-Officio Member



**Lillian Raffel**  
Vice Chairperson  
(School Board Member)  
Beverly Hills

*Term:*  
September 10, 1996 to  
September 6, 2000



**Kathleen Connell**  
State Controller  
Ex-Officio Member



**Marty Mathiesen**  
(System Retiree)  
Los Altos

*Term:*  
June 4, 1996 to  
June 16, 2000

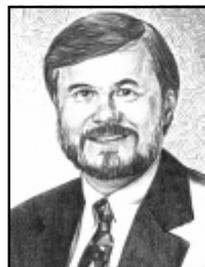


**Phil Angelides**  
State Treasurer  
Ex-Officio Member



**George W. Fenimore**  
(Public Representative)  
Los Angeles

*Term:*  
December 24, 1992 to  
November 7, 2001



**B. Timothy Gage**  
State Director  
of Finance  
Ex-Officio Member



**Yvonne Gallegos  
Bodle**  
(Community College  
Instructor)  
Ventura

*Term:*  
September 10, 1996 to  
September 6, 2000

**Vacant**  
(Insurance Official)

**Vacant**  
(Banking Official)

\* Member continues to serve at Governor's discretion.

# Executive Staff

as of June 30, 1999



**James D. Mosman**  
*Chief Executive Officer*



**Patrick Mitchell**  
*Chief Investment Officer*



**Peggy A. Plett**  
*Deputy Chief Executive Officer Administration*



**Jennifer DuCray-Morrill**  
*Chief External Affairs Officer*



**Kenneth L. Costa**  
*Director START Project*



**Christopher Waddell**  
*Chief Counsel Legal Office*



**Elleen Okada**  
*Director of Investment Administration and External Relations Investments*



**Michael J. Carter**  
*Deputy Chief Executive Officer Client Benefits and Services*



**Laurence P. Martin**  
*Deputy Chief Executive Officer Information and Financial Systems*



**Ed Derman**  
*Deputy Chief Executive Officer External Affairs and Program Development*

## Professional Services

CalSTRS contracts for the services of various independent consultants essential to the effective and professional operation of the system. Watson Wyatt Worldwide provides actuarial services and the independent auditor is PricewaterhouseCoopers, LLP. Lists of investment professionals for investment services and other consultants are provided on schedules four and five in the financial section of the report. A brief list of independent consultants is shown below.

- PricewaterhouseCoopers, LLP
- Watson Wyatt Worldwide
- Hogan and Hartson
- SPL Worldgroup Consulting
- William M. Mercer Inc.



## Report of the Chair

On behalf of the Teachers' Retirement Board, I am pleased to present the California State Teachers' Retirement System 1999 Comprehensive Annual Financial Report. After passage of last year's unprecedented benefit enhancements, I did not expect a second year of outstanding achievements. However, I've been proved wrong.

The good news we continued to hear all this year opens wide the door to more opportunities for benefit improvements. The retirement system for California's educators has never been stronger.

The first milestone reached this year was the target of every pension plan—full funded status. In April, the board learned the results of the June 30, 1998 actuarial valuation. The Defined Benefit Program had 104 percent of the funds needed to pay the cost of the benefit plan in effect in 1998. Full funding was reached ahead of the 1997 valuation's prediction. In 1997, the actuary estimated the unfunded liability would be paid in three years.

The attainment of this historic landmark was both gratifying and energizing. The outstanding performance of the investment portfolio and the success of our asset allocation policy were major contributors to this good news. It meant benefits were now assured without relying on future generations of Californians for past liabilities.

Later this year another threshold was breached when the Teachers' Retirement Fund exceeded \$100 billion in assets for the first time in its history. To reach this financial target, the fund's investment portfolio grew more than \$11.6 billion from the previous year, continuing a five-year trend of annual double-digit returns.



Reaching this epic mark is exciting news as we go into the next century. This huge accomplishment showed the strength and security of the fund for the benefits of current and future retired teachers.

Topping off the year's accomplishments was the investment portfolio's 13.4 percent return on its investments as of June 30, 1999. This brought on CalSTRS' best showing yet compared to most large pension funds. CalSTRS outperformed 91 percent of public and corporate pension funds with more than \$1 billion in assets, according to the Trust Universe Comparison Service. This service, which measures relative performance of pension funds, reported CalSTRS' peer group had a median investment return of 10.80 percent.

The year of good news culminated in CalSTRS finding itself in the enviable position of having excess investment earnings. Therefore, this summer, the board established priorities for benefit increases to be funded from excess earnings. These priorities will guide future deliberations as we enter a new era of opportunity for the CalSTRS members.

Respectfully submitted,

Emma Y. Zink  
*Teachers' Retirement Board, Chairperson*

# Year in Review

## Membership

Membership in the CalSTRS Defined Benefit Program includes California public school employees, kindergarten through community college, who teach, are involved in the selection and preparation of instructional materials, or are supervising persons engaged in those activities.

Membership is in effect as long as the contributions remain on deposit with the program.

Members are employed in approximately 1,160 public school districts, community college districts, county offices of education and state reporting entities in California. The CalSTRS Defined Benefit Program includes service retirement, benefits for survivors and disability benefits.

A beneficiary of a retired member who has elected a joint and survivor option receives a continuing lifetime allowance upon the retired member's death.

As of June 30, 1999, there were a total of 471,332 active and inactive members and 161,457 retired members, disability and survivor benefit recipients. The combined total of members and benefit recipients equals 632,789, an increase of 27,664 more than the previous fiscal year.

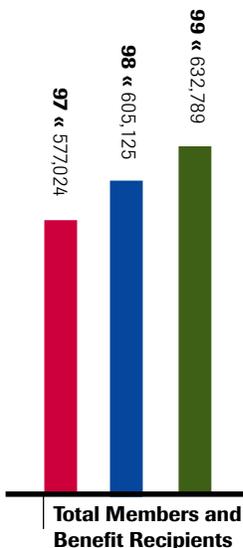
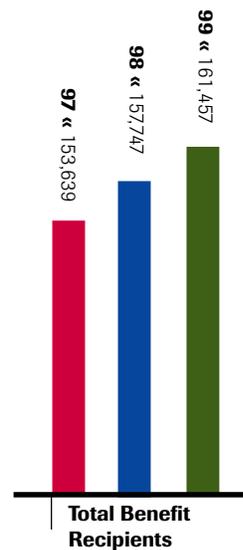
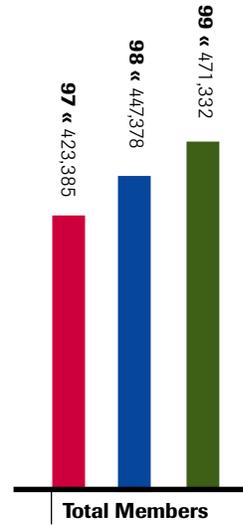
(The audit report of the independent accountants, presented in the financial section, contains Defined Benefit Program membership data as of June 30, 1998, due to the timing of that report.)

## Benefits to Members and Benefit Recipients

### Service Retirement

CalSTRS desires the retirement process to be positive, rewarding and comfortable for the members. CalSTRS believes fast, accurate and efficient benefit payments are fundamental to achieving this goal.

Of the 7,248 members who retired in 1998–99 fiscal year, 99 percent received his or her first benefit payment within the CalSTRS-established goal of 30 days of the person's retirement date (or after receipt of the completed application). CalSTRS' 30-day goal exceeds the 45-day standard mandated by law.



This year, 6,518 members used the express benefits service. This service enables a retiring member to receive credit for unused sick leave in his or her first retirement benefit payment, resulting in a high level of payment accuracy.

### Survivor Benefits

CalSTRS received 5,026 survivor benefits applications. Of the applications received, 99 percent were processed within the 45-day legislative standard and 97 percent were processed within 30 days.

### Disability

The Disability Services Section received 533 disability applications during 1998–99. Staff processed 100 percent of the initial disability payments within 10 working days of receipt of all necessary information.

Exceeding 1997–98 figures, 99 percent of all eligible disability applications were processed within six months of the initial receipt of the application, a 5 percent increase in service.

A total of 100 previously disabled members returned to work or a position with a comparable salary, for an annual CalSTRS savings of more than \$9 million.

## Services to Members and Beneficiaries

### Public Service

Public Service staff answered 214,505 calls, an increase of 30,563, or 16.6 percent, from last year. CalSTRS automated attendant telephone system received 84,658 calls, an increase of 9 percent from 1997–98.

The automated interactive telephone system, Teletalk, received 39,437 calls, an increase from last year of 4 percent. CalSTRS is proud of the fact that 97.7 percent of the telephone calls handled by staff were answered in the initial call, thus avoiding the need to call back the member. According to a comparative study of telephone service, this performance level rates as a “best in class” practice.

Ninety-four percent of all calls were answered within 3 minutes or less, an increase in service of 5 percent from last year. The average call wait time was 0.79 minutes.

The Public Service Office received 9,239 pieces of correspondence, a 31 percent increase from last year.




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*CalSTRS desires the retirement process to be positive, rewarding and comfortable for the members.*

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### Member Communication

CalSTRS communicates with members and beneficiaries through the *Bulletin* and the *Retired Educator*. The *Bulletin* is mailed twice a year to active and inactive members. It contains information from CalSTRS Chief Executive Officer and the Teachers' Retirement Board. Also presented are legislative summaries and discussions of educator issues.

The *Retired Educator* is mailed twice a year to retired members and benefit recipients. It contains issues and information of special interest to them.

A detailed program book and single-topic brochures are mailed upon request, given to members during personal interviews and are available to employers and employees by mail or telephone request. CalSTRS mails the *New Member Guide* to newly hired educators.

### CalSTRS Internet Web Site

The CalSTRS Web Site is intended to provide information for members, employers and CalSTRS' business partners. The CalSTRS Web Site includes many useful features, such as the Retirement Benefit

Calculator, which allow members to estimate their retirement benefit; an online feedback form; and the Employer Page to provide county and school district personnel with pertinent information. A variety of other topics, ranging from the monthly Teachers' Retirement Board agenda to various CalSTRS publications are updated throughout the year.

### **Financial Education Program**

Thirty-two Financial Education Program workshops were presented around the state under this program. Information regarding CalSTRS benefits, financial planning and applicable Social Security provisions were presented to 2,500 members and their guests.

### **Retirement Planning Workshops**

Personal retirement counseling interviews were provided to 24,657 members in 1998–99. In addition, 491 workshops covering retirement, disability and survivor benefits were presented to 16,266 members. These interviews and workshops allow members a chance to have direct contact with staff who answer their questions.

## **Services to Employers, Member and Client Organizations**

The Employer Advisory Committee is composed of county and district employer representatives and CalSTRS staff. The Client Advisory Committee includes CalSTRS staff and members of various organizations representing CalSTRS members and benefit recipients.

These committees meet regularly to provide a forum for active participation in the formation of CalSTRS policies and procedures in areas of information dissemination, benefit plan administration and service to members and beneficiaries.

Reaching consensus with the two committees on legislative proposals, as well as policy issues, is important to the Teachers' Retirement Board. Therefore, staff has also scheduled special meetings and has worked closely with both committees on plan design and other crucial member and employer issues.

Annually, CalSTRS staff conduct an Employer Institute, with one session presented in southern California and another in northern California. CalSTRS processes, laws and policies are discussed with employer staff, giving an opportunity for CalSTRS and employers to exchange information.

CalSTRS staff also conduct field visits to individual counties and school districts. The purpose of the visit is to provide specific information to the employer regarding CalSTRS' data reporting process. In addition to the reporting procedures, staff discuss the use of the Remote Employer Access Program that allows the employer direct access to the CalSTRS database for verification and review of the member's service and contribution records, thereby improving the accuracy and timeliness of the reporting process.

# Report on Audits of Combined Financial Statements and Supplemental Information

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as of June 30, 1999, and for the year then ended

**Report of Independent Accountants**

To the Teachers' Retirement Board  
California State Teachers' Retirement System

In our opinion, based upon our audits and the report of other auditors, the accompanying combined statements of plan net assets and the related combined statements of changes in plan net assets present fairly, in all material respects, the plan net assets of the California State Teachers' Retirement System (System), a component unit of the State of California, as of June 30, 1999, and the changes in plan net assets for the year then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the System's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the System's 403(b) Program. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements is based solely on the report of the other auditors. We previously audited and reported on the financial statements of the System for the year ended June 30, 1998, the reporting entity totals of which are included for comparative purposes only. We conducted our audits of the financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for the opinion expressed above.



Sacramento, California  
September 22, 1999

**California State Teachers' Retirement System**  
**Combined Statements of Plan Net Assets**  
**As of June 30, 1999**  
**With reporting entity totals as of June 30, 1999 and 1998**  
**(in thousands)**

	State Teachers' Retirement Plan	Cash Balance Plan	403(b) Program	<u>Reporting Entity Totals</u>	
				1999	1998
<b>Assets</b>					
Investments, at fair value:					
Short-term	\$ 1,019,183	\$ -	\$ 14,592	\$ 1,033,775	\$ 1,738,904
Debt securities:					
Directly held:					
Domestic	25,109,537	-	377	25,109,914	17,752,435
International	11,639	-	-	11,639	603,994
Pooled - domestic	-	-	-	-	8,529,757
Equities:					
Directly held:					
Domestic	45,912,654	-	20,828	45,933,482	11,846,679
International	22,758,036	-	176	22,758,212	18,525,483
Pooled - domestic	-	-	-	-	24,897,824
Alternative	2,581,794	-	-	2,581,794	1,983,165
Real estate	2,169,967	-	-	2,169,967	2,061,342
Securities lending collateral	15,516,345	-	-	15,516,345	16,996,456
Total investments	<u>115,079,155</u>	<u>-</u>	<u>35,973</u>	<u>115,115,128</u>	<u>104,936,039</u>
Cash	<u>1,932</u>	<u>-</u>	<u>-</u>	<u>1,932</u>	<u>4,409</u>
Receivables:					
Investments sold	521,274	-	-	521,274	292,493
Foreign exchange contracts	1,582,431	-	-	1,582,431	2,250,123
Interest and dividends	437,223	-	228	437,451	481,936
Member/employer and other	311,857	-	-	311,857	313,363
Total receivables	<u>2,852,785</u>	<u>-</u>	<u>228</u>	<u>2,853,013</u>	<u>3,337,915</u>
Other assets	<u>220</u>	<u>-</u>	<u>53</u>	<u>273</u>	<u>598</u>
Total assets	<u>117,934,092</u>	<u>-</u>	<u>36,254</u>	<u>117,970,346</u>	<u>108,278,961</u>
<b>Liabilities</b>					
Payable for investments purchased	637,710	-	-	637,710	438,784
Payable for foreign exchange contracts	1,536,673	-	-	1,536,673	2,204,647
Benefits in process of payment	311,551	-	-	311,551	295,666
Other liabilities	147,086	-	55	147,141	118,828
Securities lending obligation	15,516,345	-	-	15,516,345	16,996,456
Total liabilities	<u>18,149,365</u>	<u>-</u>	<u>55</u>	<u>18,149,420</u>	<u>20,054,381</u>
Net assets held in trust for pension benefits (a schedule of funding progress is presented in Schedule I)	<u>\$ 99,784,727</u>	<u>\$ -</u>	<u>\$ 36,199</u>	<u>\$ 99,820,926</u>	<u>\$ 88,224,580</u>

The accompanying notes are an integral part of these financial statements.

**California State Teachers' Retirement System**  
**Combined Statements of Changes in Plan Net Assets**  
**For the year ended June 30, 1999**  
**With reporting entity totals as of June 30, 1999 and 1998**  
**(in thousands)**

	State Teachers' Retirement Plan	Cash Balance Plan	403(b) Program	<u>Reporting Entity Totals</u>	
				1999	1998
<b>Additions</b>					
Contributions:					
Members	\$ 1,424,106	\$ 550	\$ 8,675	\$ 1,433,331	\$ 1,308,653
Employers	1,475,668	560	-	1,476,228	1,372,176
State of California	<u>350,175</u>	<u>-</u>	<u>-</u>	<u>350,175</u>	<u>1,004,569</u>
Total contributions	<u>3,249,949</u>	<u>1,110</u>	<u>8,675</u>	<u>3,259,734</u>	<u>3,685,398</u>
Investment income:					
Net appreciation (depreciation) in fair value of investments	8,905,368	(188)	2,647	8,907,827	9,975,314
Interest, dividends and other investment income	2,874,332	5	1,474	2,875,811	2,968,380
Securities lending income	902,503	-	-	902,503	1,066,103
Less investment expenses:					
Cost of lending securities	(839,430)	-	-	(839,430)	(1,016,704)
Other	<u>(44,974)</u>	<u>-</u>	<u>-</u>	<u>(44,974)</u>	<u>(40,577)</u>
Net investment income (loss)	<u>11,797,799</u>	<u>(183)</u>	<u>4,121</u>	<u>11,801,737</u>	<u>12,952,516</u>
Other income	<u>115</u>	<u>-</u>	<u>-</u>	<u>115</u>	<u>748</u>
Total additions	<u>15,047,863</u>	<u>927</u>	<u>12,796</u>	<u>15,061,586</u>	<u>16,638,662</u>
<b>Deductions</b>					
Retirement, death and survivor benefits	3,145,242	-	237	3,145,479	2,923,918
Refunds of member contributions	74,616	3	1,610	76,229	70,709
Purchasing power benefits	197,860	-	-	197,860	179,385
Administrative expenses	45,038	387	205	45,630	36,891
Interest expense	<u>-</u>	<u>42</u>	<u>-</u>	<u>42</u>	<u>69</u>
Total deductions	<u>3,462,756</u>	<u>432</u>	<u>2,052</u>	<u>3,465,240</u>	<u>3,210,972</u>
Net increase prior to transfer of net assets	<u>11,585,107</u>	<u>495</u>	<u>10,744</u>	<u>11,596,346</u>	<u>13,427,690</u>
Transfer of net assets upon merger of funds (Note 1)	<u>1,285</u>	<u>(1,285)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease)	11,586,392	(790)	10,744	11,596,346	13,427,690
Net assets held in trust for pension benefits:					
Beginning of year	<u>88,198,335</u>	<u>790</u>	<u>25,455</u>	<u>88,224,580</u>	<u>74,796,890</u>
End of year	<u>\$ 99,784,727</u>	<u>\$ -</u>	<u>\$ 36,199</u>	<u>\$ 99,820,926</u>	<u>\$ 88,224,580</u>

# California State Teachers' Retirement System

## Notes to General Purpose Financial Statements

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### 1. Description of the System and Contribution Information

The California State Teachers' Retirement System (System) is the administrator of cost-sharing multiple-employer pension plans and a tax-deferred supplemental program, as described below, established and administered by those sections of the State Education Code known as the Teachers' Retirement Law (Section 22000 et. seq.), as amended and enacted by the State of California (State) Legislature. The System is a component unit of the State of California. These financial statements include only the accounts of the System. The System's financial statements are included as a trust fund in the financial statements of the State of California. The System provides pension benefits to California full-time and part-time public school teachers from preschool through grade fourteen and certain other employees of the public school system.

#### State Teachers' Retirement Plan (STRP)

Effective January 1, 1999, Senate Bill (SB) 2085 authorized the merger of the System's Cash Balance Plan (CB Plan) and the Defined Benefit Plan (DB Plan) to establish the State Teachers' Retirement Plan (STRP). SB 2085 provides, among other things, that both the Defined Benefit Program (DB Program) and the Cash Balance Benefit Program (CBB Program) shall be administered under the Teachers' Retirement Law and be known and cited as the STRP. The cost of program administration for the six months ended June 30, 1999, is allocated proportionately to each program based on the assets of the separate programs. The prior loan from the DB Plan to the CB Plan was discharged by the creation of the STRP.

Upon the merger, the net assets of the CB Plan were combined with the net assets of the DB Plan and interfund balances were eliminated. The total CB Plan net assets transferred on January 1, 1999, was (in thousands):

Investments and other assets	\$ 2,703
Liabilities	<u>(1,418)</u>
Net asset transferred to STRP	<u>\$ 1,285</u>

The combined statement of changes in plan net assets of the CB Plan reflects the activity for the six-month period ended December 31, 1998. The combined statement of changes in plan net assets of the STRP reflects activity of the CBB Program for the six-month and of the DB Program for twelve-month periods ended June 30, 1999.

# California State Teachers' Retirement System

## Notes to General Purpose Financial Statements

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### Defined Benefit Program (DB Program)

The DB Program, is a defined benefit pension plan which operates under the Internal Revenue Code (IRC). At June 30, 1999, there were approximately 1,160 contributing employers (school districts, community college districts, county offices of education and regional occupational programs). The State is a non-employer contributor to the TRP. Membership is mandatory for all employees meeting the eligibility requirements. At June 30, 1998, membership consisted of:

Active members:	
Vested	230,498
Nonvested	155,032
Inactive members	61,848
Retirees and benefit recipients	<u>157,747</u>
Total members, retirees and beneficiaries	<u>605,125</u>

Information as of June 30, 1999, will not be available until November 1999.

The DB Program provides defined retirement benefits based on members' final compensation, age, and years of credited service. In addition, the retirement program provides benefits to members upon disability, and to survivors upon the death of eligible members. Benefit provisions include:

- After five years of credited California service, members become 100% vested in retirement benefits earned to date. Members are eligible for normal retirement at age 60. The normal retirement benefit is equal to 2% of final compensation for each year of credited service. Effective January 1, 1999, retirements after age 60 are subject to a factor which increases with each quarter year of age to 2.4% at age 63 or older. In addition, members retiring on or after January 1, 1999, who have 30 years or more of credited service shall receive an additional 0.2% of final compensation. In no event shall the total benefit factor exceed 2.4%.

Final compensation is defined as the highest average annual compensation earnable during either any three consecutive years of credited service, or for classroom teachers, twelve consecutive months if the employer elects to pay the additional cost. Early retirement options are available at age 55 or as early as age 50 with 30 years of credited service.

- After five years of credited California service, a member (prior to age 60 if under Coverage A, no age limit if under Coverage B) is eligible for disability benefits of up to 50% of final compensation plus 10% of final compensation for each eligible child, up to a maximum addition of 40%. The member must have a disability that will exceed a period of twelve or more months to qualify for a benefit.
- A family benefit is available if an active member died and had at least one year of credited service.
- Members' accumulated contributions are refundable with interest upon separation from the System. The 1998-99 fiscal year rate of interest credited to members' accounts is 6%.

## California State Teachers' Retirement System

### Notes to General Purpose Financial Statements

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Purchasing power protection is provided to those benefit recipients whose purchasing power has been reduced below certain levels. The purchasing power protection is funded by a combination of School Lands Revenue and Supplemental Benefit Maintenance Account (SBMA) contributions. School Lands Revenue is appropriated pursuant to Public Resources Code Section 6217.5 from the use of school lands.

The Cecil Green/William Campbell/Dave Elder Act (Act) of 1989 (Education Code Section 22954) established the SBMA to provide annual distributions (in quarterly payments) to retired and disabled members, and beneficiaries in order to restore purchasing power to a minimum of 68.2% of the initial monthly allowance. The Mrs. Ruth Q. dePrida Pension Protection Act, SB 1026 (Schiff), Chapter 939, Statutes of 1997 increased the minimum purchasing power to 75%, effective January 1, 1998. The State's contributions for the year ended June 30, 1999, were sufficient to meet the purchase power obligations.

#### Required Contributions

Required member and employer contribution rates are set by the Teachers' Retirement Law. Required contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. The System also uses the level percentage of payroll method to calculate the amortization of any unfunded liability.

A summary of statutory rates and other sources of contributions to the System is as follows:

- Members - 8% of applicable member earnings
- Employers - 8.25% of applicable member earnings
- State of California - The enactment of SB 1370 (Ed. Code Section 22955), known as the "Elder Full Funding Act," provides for eventual full funding for the System. The provisions of the bill which became effective July 1, 1990, replaced the prior State contribution with a new funding mechanism beginning July 1, 1991. The State's annual contribution to the System is 4.3% of the previous calendar year's member payroll. Subsequent to achieving a fully funded System, the State will contribute only the amount necessary to help fund the normal cost of the current benefit program unless a subsequent unfunded obligation occurs.

The enactment of Chapter 967, Statutes of 1998 (AB 2804) provides for funding from the State General Fund (General Fund) to maintain the fully funded status of benefits in place as of July 1, 1990, and provides funding for benefit enhancements enacted effective January 1, 1999. The provisions of Chapter 967 amended the State's contribution requirements under the Elder Full Funding Act.

# California State Teachers' Retirement System

## Notes to General Purpose Financial Statements

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Beginning July 1, 1999, under Education Code Section 22955, the General Fund shall transfer annually to the DB Program an amount equal to 3.102% of total creditable earnings of the immediately preceding calendar year to fund certain benefit enhancements effective January 1, 1999. However, subsequent to June 30, 1999, the actuaries for the DB Program determined that the estimated General Fund contributions needed to fund the January 1, 1999, benefit enhancements would be approximately 3.150% if the shortfall is funded by assets currently available on an actuarial basis. Management believes that there are sufficient assets available on an actuarial basis to fund this increased actuarial accrued liability.

- A statutory contribution rate of 0.307% of payroll under Education Code Section 22952, which was eliminated as a separate contribution on October 1, 1998, and incorporated in the contribution rate specified under Education Code Section 22955. These were employer contributions appropriated by the State to the System pursuant to the Education Code.

Beginning October 1, 1998, a statutory contribution rate of 0.524%, adjustable annually in 0.25% increments up to a maximum of 1.505%, of the creditable earnings of the immediately preceding calendar year under Education Code Section 22955. This contribution is reduced to zero if there is no unfunded obligation or normal cost deficit. As of the June 30, 1998, actuarial valuation, there was no unfunded obligation or normal cost deficit for benefits in place as of July 1, 1990.

In their most recent actuarial valuation as of June 30, 1998, the System's independent actuaries determined the estimated amortization period for the unfunded obligation computed using the cost method and the statutory contribution rates in effect at June 30, 1998. Based on this valuation, the current statutory contributions are equivalent to 20.343% of covered payroll and the normal cost is 15.758% of covered payroll. At June 30, 1998, the actuarial value of the assets exceeded the actuarial accrued liability by \$3.1 billion. Certain risks related to the global financial markets may affect the fair value of the System's investment portfolio. The System's management is continually evaluating the impact of market fluctuations on the funding status of the DB Program. Such estimates could change in the near future.

### **Cash Balance Benefit Program (CBB Program)**

The CBB Program, established under Part 14 of the California Education Code (Section 26000 et seq.) and subsequently amended by Assembly Bill (AB) 2673, is a separate defined benefit plan which operates under the IRC within the STRP designed for employees of California's public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position.

Participation in the CBB Program is optional to school districts, community college districts, county offices of education and regional occupational programs. If a school district, community college district, county office of education, or regional occupational program elects to offer the CBB Program, each eligible employee will automatically be covered by the CBB Program, unless the member elects to participate in DB Program or an alternative plan provided by the employer within 60 days of hire.

## California State Teachers' Retirement System

### Notes to General Purpose Financial Statements

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A summary of statutory contribution rates for the CBBP is as follows:

Members	-	4% of applicable member earnings
Employers	-	4% of applicable member earnings

Employers may enter into a collective bargaining agreement to pay different rates if certain minimum conditions are met. At June 30, 1999, there were nineteen contributing school districts and approximately 6,400 contributing members.

In their most recent actuarial valuation as of June 30, 1998, the CB Plan's independent actuaries determined the unfunded actuarial accrued liability to be approximately \$938,000. Management believes that the financial condition of the CBB Program will improve, as a result of the merger of the DB Plan and CB Plan, due to the larger asset base from which to fund administrative expenses.

#### **STRS 403(b) Program (403(b) Program)**

The 403(b) Program was authorized pursuant to AB 3064 and meets the requirements of the IRC Section 403(b). The 403(b) Program plan is a defined contribution plan and is open to any employee who is eligible to participate. Contributions to the program are voluntary and require no minimum limitations, however, the IRC does impose a maximum amount that can be contributed annually. At June 30, 1999, there were approximately 1,700 plan members and approximately 280 participating employers (school districts).

An agreement was entered into between the System and State Street Bank and Trust Company (SSB) on January 1, 1995, to appoint SSB as third-party administrator, record keeper and master custodian for the 403(b) Program assets. The appointment will expire on January 1, 2001. The investments are comprised of the money market, S&P 500, international index fund, self managed account and participant notes funds.

## **2. Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The accounting records of the System are maintained on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer and State contributions are recognized when due and the employer or State has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with System's retirement program.

#### **New Accounting Pronouncements**

During the year ended June 30, 1999, the System implemented Government Accounting Standards Board (GASB) Technical Bulletin (TB) 98-1, *Disclosures About Year 2000 Issues*, as amended by GASB TB 99-1, *Disclosures about Year 2000 Issues*, which requires the System to provide disclosures related to its commitment to make Year 2000 compliance changes or updates to computer systems and equipment. The System elected to make the required disclosures as supplemental information. The adoption of GASB TB 98-1 and GASB TB 99-1 had no impact on net assets held in trust for pension benefits at June 30, 1999.

# California State Teachers' Retirement System

## Notes to General Purpose Financial Statements

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### **Use of Estimates in the Preparation of Financial Statements**

The preparation of the System's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and when applicable, disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

### **Investments**

The majority of the securities held in the investment portfolio at June 30, 1999, are in the custody of or controlled by the SSB, the System's master custodian. State statutes and Board policies allow investments consisting of government, corporate and international bonds, domestic and international equities, mutual funds, limited partnership holdings, real estate, mortgages and other investments.

All investments are reported at fair value. The fair values of investments are generally based on published market prices and quotations from major investment firms. In the case of debt securities acquired through private placements, fair value is computed by management based on market yields and average maturity dates of comparable quoted securities. Investments pooled within the System's reporting entity are valued based upon the fair values of the assets held in the pools. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Real estate equity investment fair values are based on either recent estimates provided by the System's contract real estate advisors or independent appraisers. Short-term investments are reported at cost or amortized cost, which approximates fair value.

The System presents in the combined statement of changes in plan net assets, the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains and losses and the unrealized appreciation (depreciation) on those investments. Purchase and sales of debt securities, equity securities and short-term investments are recorded on the trade date. Real estate equity transactions are recorded on the settlement date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

There are certain market risks, credit risks, foreign currency exchange risks, or event risks which may subject the System to economic changes occurring in certain industries, sectors or geographies.

### **Foreign Exchange Contracts**

The STRP enters into forward foreign exchange contracts for hedging purposes to minimize the short-term impact of foreign currency fluctuations on the asset positions of foreign investments. These foreign exchange contracts are reported at fair value based on published market prices and quotations from major investment firms. The STRP could be exposed to risk if the counterparties to the contracts are unable to meet the terms of their contracts. The STRP seeks to minimize risk from counterparties by establishing minimum credit quality standards and maximum credit limits.

### **Administrative Expenses**

The 403(b) Program reimburses the STRP for administrative services provided on its behalf.

### **Income Taxes**

The STRP is organized as tax-exempt retirement plan under the IRC. The 403(b) Program is organized as a tax-deferred supplemental program under the IRC. The System's management believes that it has operated within the constraints imposed by federal tax law.

## California State Teachers' Retirement System

### Notes to General Purpose Financial Statements

#### Investment Expense

Expenses directly associated with investment management have been included as other investment expenses. Indirect expenses have not been allocated.

#### Securities Lending Transactions

The System reports securities lent, the cash collateral held as assets and the related liabilities resulting from securities lending transactions on the statement of plan assets. The System also reports the costs of lending securities as investment expenses on the statement of changes in plan net assets.

### 3. Investments

The System's investments are categorized below to give an indication of the category risk level assumed by the System at June 30, 1999, as defined by GASB Statement No. 3. Category 1, the lowest risk, includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the System's name. Investment pools managed by other governments, investments held by broker-dealers under securities loans, alternative investments and real estate equity investments are not categorized.

The following table presents investments held by the STRP by type at June 30, 1999 (in thousands):

Investment Type	Category 1	Category 2	Category 3	Category Rating Not Required	Fair Value
Categorized:					
Short-term investments	\$ 760,862	\$ -	\$ -	\$ 258,321	\$ 1,019,183
Debt securities	18,560,015	-	-	-	18,560,015
Equity securities	59,946,661	-	-	-	59,946,661
Alternative investments	-	-	-	2,581,794	2,581,794
Real estate equity investments	-	-	-	2,169,967	2,169,967
Securities lending collateral	15,516,345	-	-	-	15,516,345
Not categorized:					
Investments held by broker-dealers under securities loans:					
Debt securities	-	-	-	6,561,161	6,561,161
Equity securities	-	-	-	8,724,029	8,724,029
Total investments	<u>\$ 94,783,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,295,272</u>	<u>\$ 115,079,155</u>

# California State Teachers' Retirement System

## Notes to General Purpose Financial Statements

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Short-term investments of the STRP as of June 30, 1999, are comprised of the following (in thousands):

Surplus Money Investment Fund (State of California)	\$ 258,321
Repurchase agreements	45,650
Certificates of deposit	19,996
Commercial paper	473,822
Treasury bills	22,674
Foreign currency	84,132
Short-term agencies	<u>114,588</u>
Total	<u>\$1,019,183</u>

The STRP's investment in the Surplus Money Investment Fund (SMIF), administered by the State, represents various investments with average days to maturity of approximately 200 days, and is reported at amortized cost which approximates market value.

The STRP's repurchase agreement transactions at June 30, 1999, have underlying collateral with market values of approximately 102% of the cost of the repurchase agreement. The agreed-upon yield is 4% with maturity dates through July 1, 1999.

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment.

State statutes and Teachers' Retirement Board policies permit the STRP to lend its securities to broker-dealers and other entities for which collateral is received with a simultaneous agreement to return the collateral for the same securities in the future. STRP has contracted with third party securities lending agents to lend domestic and international equity and debt securities. All securities loans can be terminated on demand by either STRP or the borrower. Collateral in the form of cash or other securities is required for 102% and 105% of the fair value of domestic and international securities, respectively, loaned. As of June 30, 1999, the System has no credit risk exposure to borrowers because the amounts the STRP owes the borrowers exceed the amounts the borrowers owe the System. Cash collateral is invested in short-term investments, which at year-end have a weighted-average maturity of less than 90 days, and the assets held as collateral are presented in the above table of investments held. STRP is not permitted to pledge or sell collateral securities received unless the borrower defaults. The contracts with the security lending agents require them to indemnify STRP if the borrowers fail to return the securities (or if the collateral is not sufficient to replace the securities lent) or if the borrower fails to pay STRP for income distributions by the securities' issuers while the securities are on loan.

### 403(b) Program

Investments held by the 403(b) Program are mutual funds and are not required to be categorized by risk levels under GASB Statement No. 3.

## California State Teachers' Retirement System

### Notes to General Purpose Financial Statements

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#### 4. Contingencies

The STRP is involved in litigation relating to various matters. In the opinion of management, after consultation with legal counsel, the outcome of this litigation will not have a material adverse effect on the STRP's financial position.

#### 5. Commitments

In conjunction with purchase of various partnership interests, the STRP has remaining funding commitments of approximately \$2.5 billion at June 30, 1999.

The STRP has entered into agreements to guarantee payment of principal and interest in the event that the primary obligator defaults. The STRP is paid a fee over the term of such agreements, and in the event of default, the STRP could draw on the standby letter-of-credit for repayment. At June 30, 1999, the STRP has commitments of approximately \$679.6 million expiring through May 18, 2006. Fee income earned by the STRP was \$1.292 million for the year ended June 30, 1999.

## Supplemental Information

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**Report of Independent Accountants on  
Required Supplementary Information**

To the Teachers' Retirement Board  
California State Teachers' Retirement System

Our report on the audits of the financial statements of the California State Teacher's Retirement System (System) as of June 30, 1999, and for the year then ended is presented in the first section of this document. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 and 2 is required under GASB Statement No. 25, *Financial Reporting For Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The supplemental information included in Schedules 3 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information for the years ended June 30, 1999, 1998, 1997, 1996, 1995 and 1994, has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion and based on the report of other auditors, is fairly stated, in all material respects, in relation to the financial statements taken as a whole from which it has been derived.

The Year 2000 supplementary information in Schedule 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by GASB Technical Bulletin 98-1, as amended, are not sufficiently specific and therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that the System is or will become Year 2000 compliant, that System's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the System does business are or will become Year 2000 compliant.



Sacramento, California  
September 22, 1999

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Funding Progress**  
**June 30, 1999**

**Schedule I**

<b>Actuarial Valuation Date as of June 30</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (b-a/c)</b>
Defined Benefit Program <sup>(3)</sup> (dollars in millions):						
1999	(1)	(1)	(1)	(1)	(1)	(1)
1998	\$ 77,290	\$ 74,234	\$ (3,056)	104 %	\$ 15,741	(19) %
1997	67,980	69,852	1,872	97 %	14,521	13 %
1996	(2)	(2)	(2)	(2)	(2)	(2)
1995	55,207	63,391	8,184	87 %	12,688	65 %
1994	(2)	(2)	(2)	(2)	(2)	(2)

Cash Balance Benefit Program <sup>(3)</sup> (dollars in thousands):

1999	(1)	(1)	(1)	(1)	(1)	(1)
1998	\$ 790	\$ 1,728	\$ 938	46 %	\$ 18,838	5 %
1997	(393)	164	557	(240) %	4,504	12 %

- (1) The 1999 actuary reports will be available during the year ended June 30, 2000.
- (2) Prior to June 30, 1998, no actuarial reports were prepared in even numbered years. No estimation using actuarial methodology is made in years between valuations.
- (3) Effective January 1, 1999, the Defined Benefit Plan (DB Plan) and the Cash Balance Plan (CB Plan) merged to establish the State Teachers' Retirement Plan which includes the Defined Benefit Program (DB Program) and the Cash Balance Benefit Program (CBB Program). All actuarial data prior to year ended June 30, 1999, relates to the DB Plan and CB Plan.

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Contributions from Employers and Other Contributing Entities**  
**June 30, 1999** **Schedule II**

<b>Year Ended June 30</b>	<b>Annual Required Contribution (a)</b>	<b>Contributed By Employers<sup>(1)</sup> (b)</b>	<b>Contributed By the State<sup>(2)</sup> (c)</b>	<b>Total Contributed (b + c)</b>	<b>Percentage Contributed (b + c)/a)</b>
-------------------------------	-------------------------------------------------	-----------------------------------------------------------	-----------------------------------------------------------	------------------------------------------	--------------------------------------------------

Defined Benefit Program<sup>(3)</sup> (dollars in millions):

1999	\$ 1,473	\$ 1,492	\$ 209	\$ 1,701	115%
1998	1,911	1,419	587	2,006	105%
1997	1,835	1,299	550	1,849	101%
1996	1,726	1,196	530	1,726	100%
1995	1,589	1,111	519	1,630	103%
1994	1,586	1,126	518	1,644	104%

Cash Balance Benefit Program<sup>(3)</sup> (dollars in thousands):

1999	\$ 560	\$ 560	\$ -	\$ 560	100%
1998	772	772	-	772	100%
1997	74	74	-	74	100%

(1) For DB Program, year ended June 30, 1998 and earlier, amounts include employer contributions under Education Code Sections 22950 to 22953. For the year ended June 30, 1999, amounts include employer contributions under Education Code Sections 22950 and 22951.

(2) For DB Program, includes state contributions under Section 22955.

(3) Effective January 1, 1999, the DB Plan and the CB Plan merged to establish the STRP which includes the DB Program and the CBB Program. All actuarial data prior to year ended June 30, 1999, relates to the DB Plan and CB Plan.

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Contributions from Employers and Other Contributing Entities**  
**June 30, 1999** **Schedule II**

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The information presented in the Supplementary Schedules 1 and 2 was determined as part of the actuarial valuations at June 30, 1998. Additional information is as follows:

	<b>DB Plan</b>	<b>CB Plan</b>
Actuarial Cost Method	Entry age normal	Traditional Unit Credit
Amortization Method	Level percent of payroll	Not applicable
Amortization Period	Open	Not applicable
Remaining Amortization Period	Not applicable	Not applicable
Asset Valuation Method	Expected value with 25% adjustment to market value	Market value of net assets
 Actuarial Assumptions:		
Investment rate of return	8.0%	6.5%
Projected salary increases	5.5%	5.5%
Consumer price inflation	4.5%	4.5%
Post-retirement benefit increases	2.0% simple	Not applicable

The above assumptions for DB Plan were not changed from the previous actuarial valuation as of June 30, 1997. The investment rate of return assumption for the CB Plan decreased from 7.0% as of the June 30, 1997, actuarial report to 6.5% as of June 30, 1998.

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Administrative Expenses**  
**For the Year Ended June 30, 1999**  
**(in thousands)**

**Schedule III**

Personal services:	
Salaries and wages	\$ 19,080
Staff benefits	4,923
Accrued vacations	<u>290</u>
Total personal services	<u>24,293</u>
Operating expenses and equipment:	
General expense	1,014
Depreciation expense	74
Printing	680
Communications	809
Postage	585
Insurance	10
Travel	222
Training	164
Facilities operations	2,664
Consultants and professional services	4,434
Consolidated data center:	
Consultants and professional services	1,884
Data processing:	
Consultant and professional services	5,348
Software and other	336
Central administrative services	825
Equipment	281
Other	<u>394</u>
Total operating expenses and equipment	<u>19,724</u>
Total current year expenses that are budgeted	44,017
Past prior year expenses, net	<u>1,021</u>
Total	<u>\$ 45,038</u>
Fund sources:	
SBMA/administration expense	\$ 63
Reimbursements	542
Accrued vacation expense	290
Refunds to reverted appropriation	(10)
Budget Act, Chapter 162, Statutes 1996	548
Reappropriated Chapter 162, by Chapter 282/97	825
Budget Act, Chapter 282, Statutes 1997	(352)
Budget Act, Chapter 324, Statutes 1998	42,669
Legislation, Chapter 968, Statutes 1998 (Health Study)	199
Budget Act, Chapter 592, Statutes 1995	<u>264</u>
Total fund sources	<u>\$ 45,038</u>

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Investment Expenses from Continuous Appropriation**  
**For the Year Ended June 30, 1999**  
**(in thousands)**

**Schedule IV**

External equity managers:

Domestic:

Ariel Capital Management	\$ 118
Barclays Global Investors	554
Brown Capital Management Inc.	448
Delphi Management, Inc.	65
Denver Investment Advisor Inc.	1,624
DSI International Management	338
First Quadrant	293
Mellon Capital Management	408
NCM Capital Management Group Inc.	672
Oppenheimer Capital	381
Putnam Investments	297
Sasco Capital, Inc	751
State Street Bank Global Advisors	338
TCW Asset Management	<u>83</u>
Total domestic	<u>6,370</u>

International:

Bank of Ireland	2,066
Barclays Global Investors	2,389
Capital Guardian Trust	3,355
Invesco	1,257
J P Morgan Investment Management	791
Lazard Freres Asset Management	2,775
Morgan Stanley	1,786
Oechsle International Advisors	3,576
Schroder Capital Management Investment, Ltd.	1,337
Scudder Kemper	1,914
State Street Global Advisors	<u>760</u>
Total international	<u>22,006</u>

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Investment Expenses from Continuous Appropriation**  
**For the Year Ended June 30, 1999**  
**(in thousands)**

**Schedule IV**

Global:	
Baring International	\$ 2,424
Brinson Partners	1,919
Fiduciary Trust International	<u>2,185</u>
Total global	<u>6,528</u>
Total external equity managers	<u>34,904</u>
Real estate managers/advisors:	
Lend Lease	1,826
MIG Realty Advisors, Inc.	386
O'Connor Realty Advisor Inc.	92
SSR Realty Advisors	412
Trust Company of the West	<u>2,144</u>
Total real estate managers/advisors	<u>4,860</u>
Advisors and consultants:	
Briggs Wengert LLP	100
Thomas Flanigan, Inc.	10
Pathway Capital Management, LLC	733
Pension Consulting Alliance	570
Watson Wyatt Worldwide	<u>1</u>
Total advisors and consultants	<u>1,414</u>
Attorneys, master custodian and insurers:	
Fulbright & Jaworski	13
Groom Law Group (formerly Groom & Nordberg)	43
Kanter Immigration Law Office	4
Near North Insurance Brokerage	262
Orrick, Herrington & Sutcliffe	16
State Street Bank & Trust Co.	<u>3,188</u>
Total attorneys, master custodian and insurers	<u>3,526</u>
Other Expenses:	
Cortex Applied Research, Inc.	28
PricewaterhouseCoopers LLP	32
State Controller's Office	13
Miscellaneous	76
Travel	<u>121</u>
Total other expenses	<u>270</u>
Total continuous appropriations	<u>\$ 44,974</u>

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Consultant and Professional Services Expenses**  
**For the Year Ended June 30, 1999**  
**(in thousands)**

**Schedule V**

INDIVIDUAL OR FIRM	COMMISSION/ FEE	NATURE OF SERVICE
Consulting and professional services:		
Alameda County Office of Education	\$ 71	Regional Counseling Services
Bay Brook Medical Group, Inc.	65	Disability Evaluation
Carole Nimietz M. ED., C.R.C.	21	Vocational Assesments and Reports
Contra Costa County Office of Education	72	Regional Counseling Services
Cooperative Personnel Services	52	Consulting Services
Department of General Services	46	Hearing Office Charges
Department of Justice	455	General Services Legal Fees
Department of Personnel Administration	13	Legal Services
Fresno County Office of Education	60	Regional Counseling Services
Gary R. Hudak, M. D.	14	Disability Evaluation
Geary & Associates, Inc.	11	Vocational Assesments and Reports
Goldfarb & Associates	24	Vocational Assesments and Reports
Hogan & Hartson	150	Advocate and Legal Representation
Jeff Beeman Vocational Services	11	Vocational Assesments and Reports
Kathleen M. Ogburn	14	Vocational Assesments and Reports
Kern County Supt. of Schools	49	Regional Counseling Services
Liebman & Associates	78	Vocational Assesments and Reports
Linville Associates	18	Vocational Assesments and Reports
Los Angeles County Supt. of Schools	104	Administrative Services
Los Angeles County Supt. of Schools	440	Regional Counseling Services
Mattox Group	72	Vocational Assesments and Reports
Merced County Office of Education	17	Regional Counseling Services
Meta Dynamics	20	Consultant Training
Orange County Department of Education	115	Regional Counseling Services
PricewaterhouseCoopers LLP	114	Audit and Consulting Services
San Bernardino County	130	Regional Counseling Services
San Diego County Office of Education	27	Regional Counseling Services
San Diego Unified School District	202	Regional Counseling Services
San Joaquin County Office of Education	59	Regional Counseling Services
San Juan Unified School District	120	Regional Counseling Services
San Mateo-Foster City School District	65	Regional Counseling Services
Santa Barbara County Office of Education	52	Regional Counseling Services
Santa Clara Unified School District	107	Regional Counseling Services
Santa Cruz County Office of Education	49	Regional Counseling Services
Shasta County Office of Education	69	Regional Counseling Services
Sonoma County Supt. of Schools	48	Regional Counseling Services
State Controller's Office	698	Various Financial Services
Superior Rehabilitation Services	52	Vocational Assesments and Reports
Susan O'Louglin Ward	45	Consulting Services
Towers, Perrin, & Forester	33	Consulting Services
Travel/Tuition	87	Medical Reimbursement
Tulare County Supt. of Schools	18	Regional Counseling Services

**California State Teachers' Retirement System**  
**State Teachers' Retirement Plan**  
**Schedule of Consultant and Professional Services Expenses**  
**For the Year Ended June 30, 1999**  
**(in thousands)**

**Schedule V**

INDIVIDUAL OR FIRM	FEE	NATURE OF SERVICE
Ventura County Supt. of Schools	\$ 37	Regional Counseling Services
Watson Wyatt Worldwide	128	Actuarial Services
William M. Mercer, Inc.	152	Consulting Services
Xerox Professional Services	35	Employee Survey
Other	<u>105</u>	Various Services under \$10
	<u>4,424</u>	
Data processing:		
Compucom Systems, Inc.	25	Data Processing
Computer Resources Group, Inc.	115	Data Processing
Nanran, Inc.	686	Data Processing
Piolt Computer Services, Inc.	35	Data Processing
Science Applications	91	Data Processing
SPL Worldgroup Consulting	3,400	Data Processing
Synergy Consulting, Inc.	360	Data Processing
Visionary Integration	590	Data Processing
Visual Communications	<u>46</u>	Data Processing
	<u>5,348</u>	
Consolidated Data Center:		
Stephen P. Teale Data Center	1,875	Data Processing
Health & Welfare Data Center	<u>19</u>	Data Processing
	<u>1,894</u>	
Total consultant and professional services expenses	<u>\$ 11,666</u>	

**California State Teachers' Retirement System**  
**Cash Balance Plan**  
**Schedule of Administrative Expenses**  
**For the Six-Month Period Ended December 31, 1998**  
**(in thousands)**

**Schedule VI**

Personal services:	
Salaries and wages	\$ 136
Staff benefits	<u>30</u>
Total personal services	<u>166</u>
Operating expenses and equipment:	
General expense	106
Printing	4
Communications	4
Postage	3
Travel	9
Training	1
Facilities operations	15
Consultants and professional services	36
Software and other	1
Central administrative services	<u>42</u>
Total operating expenses and equipment	<u>221</u>
 Total	 <u>\$ 387</u>
Fund sources:	
Budget Act, Chapter 592, Statutes 1995	<u>\$ 387</u>
Total fund sources	<u>\$ 387</u>

**California State Teachers' Retirement System  
 Cash Balance Plan  
 Schedule of Consultant and Professional Expenses  
 For the Six-Month Period Ended December 31, 1998  
 (in thousands)**

**Schedule VII**

INDIVIDUAL OR FIRM	COMMISSION/ FEE	NATURE OF SERVICE
Consulting and professional services: Watson Wyatt Worldwide	\$ <u>36</u>	Consulting Services

**California State Teachers' Retirement System**  
**403(b) Program**  
**Schedule of Administrative Expenses**  
**For the Year Ended June 30, 1999**  
**(in thousands)**

**Schedule VIII**

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State Street Bank administrative fees	\$ 190
State Teachers' Retirement Plan sponsor fee	<u>15</u>
Total	<u>\$ 205</u>

# California State Teachers' Retirement System

## Disclosures about Year 2000 Issues

### For the Year Ended June 30, 1999

Schedule IX

#### Disclosure of Year 2000 Issues and Activity

The Governmental Accounting Standards Board (GASB) identified the Year 2000 date problem as affecting a wide range of governmental activities that could have a significant impact on an entity's future financial resources. In response to this concern, the GASB has directed governmental entities to disclose information concerning the general description of the Year 2000 issue as it relates to their organization, the resources committed to resolving the Year 2000 problem, and the stage or stages the organization is at in resolving this problem.

#### General Description of the Year 2000 Problem as it Relates to the State Teachers' Retirement System (System)

The System has identified the following mission critical and non-mission critical systems and equipment to ensure that the systems are Year 2000 compliant:

- On-line Information System
- STRS Net Lan-Wan
- External Interfaces
- Accounting System
- Cash Balance System
- Personal Computers
- Computer Assisted Retrieval (CAR) System
- Embedded chip systems
- Non-Mission Critical Equipment

#### Resources Committed

Significant personnel and financial resources have been devoted to this project since 1996. For the year ended June 30, 2000, the System has budgeted less than \$50,000, including outside contractors, for completion of this project.

#### STAGES OF WORK

##### Awareness Stage

In 1996, the System initiated a complete review of the organization by end-users. The individual end-users from each department had the opportunity and responsibility to identify potential business operations or services requiring review for Year 2000 compliance. The department then established a plan for ensuring Year 2000 compliance.

##### Assessment Stage

In November 1996, a departmental cross functional team performed an assessment of critical and non-critical functions necessary for the System to continue the business operation of the organization.

##### Remediation

The development and modification stages of the project were completed in March 1999. In addition, contingency plans have been developed in case one or more business partners are unable to become Year 2000 compliant. The business partners that the System has been working with include several California State agencies and counties, banking partners, communication providers, and the master custodian for investments.

**California State Teachers' Retirement System**  
**Disclosures about Year 2000 Issues**  
**For the Year Ended June 30, 1999**

**Schedule IX**

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**Validation and Testing**

The System completed the validation and testing of all mission critical and non-mission critical system in June 1999. The completion of validation and testing of contingency plans is planned to be completed by October 1999.

Although the plan has been established and significant work has been completed, there is no guarantee that the systems and equipment of the System will be Year 2000 compliant.

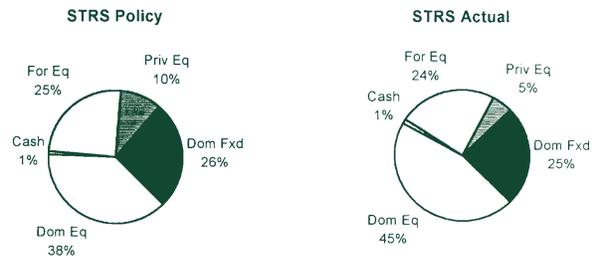
# Investment Consultant's Report



The CalSTRS investment portfolio grew by \$11.6 billion over the past year reaching a value of \$99.9 billion on June 30, 1999. As highlighted below, the CalSTRS portfolio is broadly diversified, holding investments ranging from publicly-traded bonds to privately-held partnerships. Clearly, the scale and breadth of investments make the management and oversight of these assets highly complex. In light of these factors, CalSTRS has been effective in using its resources in a cost-efficient manner to ensure that benefits continue to flow to CalSTRS participants.

## Investment Allocation

The most critical factor influencing overall investment performance is the allocation of the CalSTRS portfolio across major asset classes. The second quarter report reflects asset allocation guidelines adopted by CalSTRS on July 1, 1997 (see left chart). The portfolio's actual allocation is modestly different from policy. Private equity, foreign equity and domestic debt are underweighted while domestic equity is overweighted (see right chart).

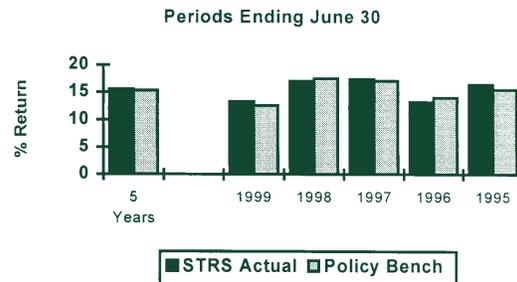


## Investment Results

Over the last year, the CalSTRS investment portfolio produced an overall return of 13.4% ranking in the top quartile of its large public pension fund peers<sup>1</sup> (top bar chart). The portfolio outperformed policy by approximately 70 basis points largely due to strong relative performance by the foreign equity, private equity and domestic debt asset classes.<sup>2</sup>



During the last three years, CalSTRS' portfolio generated a 15.9% (third quartile) return versus 15.7% for the policy benchmark. Over the last five years, the CalSTRS investment portfolio produced an average annual return of 15.5%, exceeding its policy benchmark by 20 basis points (bottom chart). Successive one-year periods are shown as well. For periods ending June 30, CalSTRS' portfolio has outperformed its policy benchmark in three of the latest five one-year periods.



Recent performance has significantly improved CalSTRS ranking among its peers over the one-, three- and five-year periods.<sup>3</sup>

*Pension Consulting Alliance, Inc.*

<sup>1</sup> Per TUCS Universe for Public Funds with assets in excess of \$1 billion.  
<sup>2</sup> The policy benchmark consists of passive managed asset class portfolios weighted by STRS' policy allocations. The difference between actual results and the benchmark are due to two factors: i) deviations from policy and ii) active decisions on the part of STRS and its investment managers.  
<sup>3</sup> STRS' investment performance is calculated using a monthly internal rate of return with day-weighted cash flows. Periods longer than one month are geometrically linked. This method of return calculation complies with AIMR performance presentation standards.

# Investments

The market value of the CalSTRS investment portfolio reached almost \$100 billion on June 30, 1999. The \$99.9 billion represented a gain of \$11.6 billion over the same period last year. This dollar gain represented a return of 13.4 percent. More significantly, however, is the fact this result allowed CalSTRS to outperform its benchmark by 70 basis points, adding \$700 million to the fund. Nearly all the asset classes exceeded their benchmarks, from the international equity to the private equity to domestic debt. These strong results allowed CalSTRS' portfolio to outperform 79 percent of the others in its peer group of large public funds. While 1999's results represented an improvement over 1998, these results are significantly better than one year ago, when CalSTRS performed better than only 37 percent of its peer group of large public funds. At the end of the last fiscal year, CalSTRS' portfolio allocation across asset classes was as follows: Equity, Domestic and International 70 percent; Fixed Income, Domestic 25 percent; Private Equity 5 percent.

CalSTRS continues to follow its established long-term strategies. The results achieved this year and last year reaffirm the asset allocation decisions made by the Teachers' Retirement Board in 1997.

Chart A (below) illustrates the growth in the total investment portfolio, excluding securities lending collateral, from June 30, 1985 through June 30, 1999. Chart B shows CalSTRS' returns against the actuarial rate, which is the long-term assumed rate of return for the fund. Chart C shows the performance returns for all of the asset classes in the portfolio and the benchmark indices. The return calculations are consistent with Association for Investment Management and Research performance presentation standards. These returns are shown over 1-, 3-, 5-, and 10-year periods.

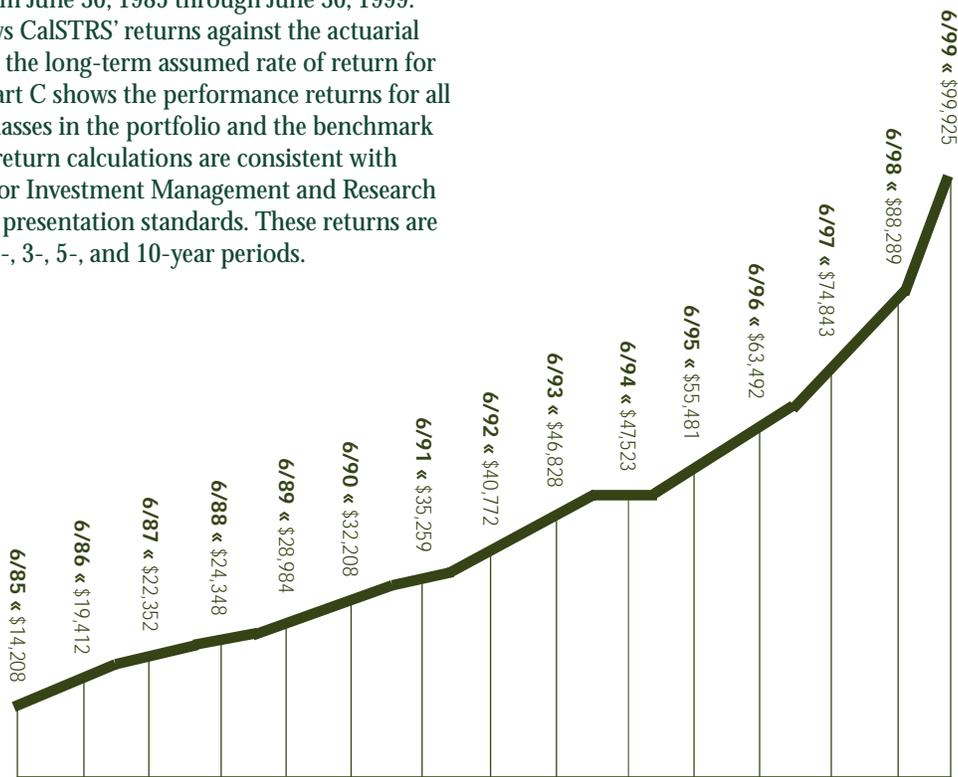


Chart A Growth in total investments (in millions)

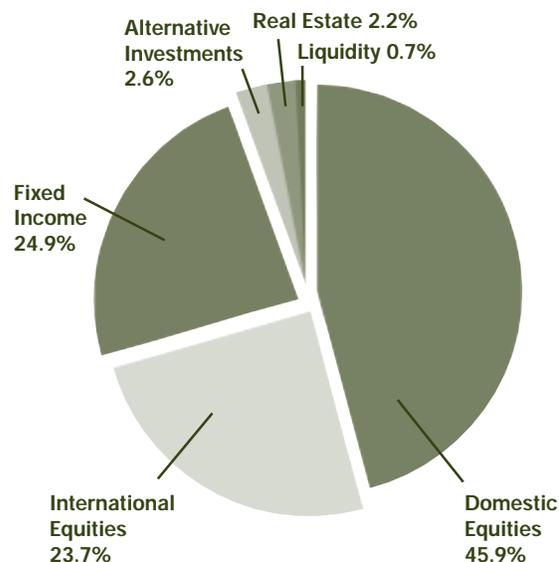
## Objectives

The objectives of the Investment Management Plan are the same as they were this time last year. CalSTRS continued to increase its commitment to active management over the last year. As of June 30, 1999, CalSTRS had 16 active domestic equity managers and 16 active international equity managers. CalSTRS will continue to seek a close alignment between policy and actual allocations.

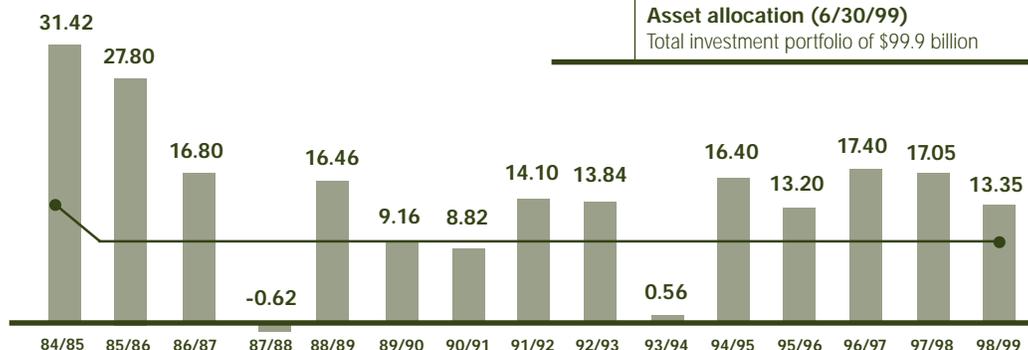
## Fixed Income

CalSTRS has fixed income assets totaling approximately \$25 billion in market value. As of June 30, 1999, the treasury/agency portfolio represented a majority of the assets, with \$8.4 billion. The high-grade corporate bond portfolio with \$7.8 billion and the mortgage-backed securities portfolio with \$7.3 billion in assets, respectively completed the balance of the fixed income portfolio. For the fiscal year ending June 30, 1999, all the long-term fixed income portfolios exceeded the performance benchmark return by 20 basis points, amounting to approximately \$50 million for the Teachers' Retirement Fund.

CalSTRS also maintains a short-term portfolio, known as the liquidity portfolio, which is utilized for cash and liquidity purposes. This portfolio had approximately \$739 million in assets at fiscal year end. While CalSTRS' goal is to be fully invested at all times, benefit payments and asset allocation decisions necessitate the need for short-term highly liquid assets that provide a competitive rate of return until re-deployed into other asset classes. The liquidity portfolio exceeded its performance benchmark return by 120 basis points for the fiscal year ended June 30, 1999.



**Chart B** | Growth in CalSTRS' returns (percent)



**Asset allocation (6/30/99)**

Total investment portfolio of \$99.9 billion

**Chart C** | Performance returns for major asset categories

Portfolio Type/Associated Indices	1 Year	3 Years	5 Years	10 Years
<b>Total Fund</b>	<b>13.35</b>	<b>15.91</b>	<b>15.47</b>	<b>12.28</b>
<b>Domestic Equity</b>	<b>19.29</b>	<b>25.09</b>	<b>24.75</b>	<b>17.35</b>
Russell 3000	20.10	26.41	26.03	17.93
Wilshire 5000	19.59	25.84	25.69	17.62
<b>Int'l Equity</b>	<b>12.89</b>	<b>9.38</b>	<b>9.53</b>	<b>na</b>
MSCI All Country Free ex US (G)	9.53	8.22	7.95	6.92
MSCI Europe, Australia & Far East	7.61	8.81	8.21	6.60
MSCI Emerging Market Free	28.71	-4.00	-0.83	12.31
<b>Fixed Income</b>	<b>1.54</b>	<b>8.45</b>	<b>9.24</b>	<b>9.00</b>
Salomon LPF	1.34	7.93	8.81	8.95
<b>Real Estate</b>	<b>21.21</b>	<b>17.12</b>	<b>13.36</b>	<b>6.00</b>
Real Estate Custom*	13.75	12.94	10.84	5.43
<b>Alternative Investments</b>	<b>16.45</b>	<b>28.25</b>	<b>27.87</b>	<b>16.31</b>
Alternative Investments Custom**	12.58	13.67	14.41	na
<b>Liquidity</b>	<b>5.91</b>	<b>6.04</b>	<b>5.92</b>	<b>6.06</b>
Salomon 3-Month Treasury Bill	4.71	5.07	5.20	5.22

(All performance calculations are conducted in accordance with the presentation standards of the Association for Investment Management and Research)

\*NCREIF after 7/1/97 and Institutional Property Consultants prior to 7/1/97; lagged 1 quarter

\*\*Blend of the [Russell 3000 + 5% + 90 day T-Bill] after 4/1/99 and [CPI + 12%] prior to 4/1/99; lagged 1 quarter

In addition, CalSTRS has three other fixed income programs: Home Loan, Currency Hedging and Securities Lending.

#### *Home Loan Program*

Legislation that became effective earlier this year broadened CalSTRS' ability to offer home loans with different interest rates, terms, and conditions. Last fiscal year CalSTRS funded more than \$40 million in home loans, bringing the total since origination in 1986, to \$2.5 billion. Correspondent lending firms participating in the Home Loan Program expanded from two to 10, with plans to bring on more firms as the year progresses.

#### *Currency Hedging Program*

The strategic objective for this three-year-old program is to reduce risk in the passively managed segment of the international equity portfolio. CalSTRS currently hedges a portion of its international stock exposure in order to protect these assets against a strengthening U.S. dollar in both Asia and Europe. To date, the Currency Hedging Program has generated more than \$425 million in additional income to the TRF.

#### *Securities Lending Program*

CalSTRS has been lending securities since 1988; this represents CalSTRS' first and longest running "off-balance sheet" program. The program was designed to enable CalSTRS to use its existing asset base and

investment expertise to generate additional income. The amount of income earned as a result of the Securities Lending Program is based upon such factors as the types and amounts of stocks and bonds held by CalSTRS, the volume of securities loaned, the appetites of the financial markets for CalSTRS' inventory of securities and the reinvestment of the cash taken in as collateral. Over the last fiscal year, CalSTRS has earned more than \$60 million from this activity; since inception, the program has earned approximately \$300 million.

#### **Alternative Investments**

This fiscal year, CalSTRS made additional commitments of nearly \$1 billion in this segment of the portfolio. Total commitments now amount to approximately \$5.3 billion or 5 percent of the total portfolio. There are 79 partnerships and two co-investments in the alternative investment portfolio. At the end of the fiscal year, the total market value was \$2.6 billion, representing nearly 3 percent of the total CalSTRS portfolio. CalSTRS continued to increase its commitment in this area as a result of the allocation review completed at the end of June 1997. The alternative investment asset class has achieved annualized returns of 16, 28 and 28 percent, for the 1-, 3- and 5-year periods, respectively.

#### **Internal Equity Management**

During 1999, CalSTRS increased the allocation to internal equity management by \$5 billion. As of June 30, 1999, the internally managed S&P 500 indexed portfolio had a market value of more than \$6.3 billion.

**Chart D** | Largest fixed income holdings as June 30, 1999 (CalSTRS maintains a complete list of portfolio holdings)

Issue	Maturity Date	Interest Rate	Par	Market Value	Average Cost	Unrealized Gain/(Loss)
US TREASURY	15-Nov-2015	9.88%	994,000,000	1,447,820,640	1,299,995,917	147,824,723
US TREASURY	15-Feb-2019	8.88%	915,000,000	1,260,266,100	907,272,993	352,993,107
US TREASURY	15-Feb-2016	9.25%	845,000,000	1,175,344,300	1,001,088,744	174,255,556
US TREASURY	15-May-2016	7.25%	950,700,000	1,113,802,092	994,739,086	119,063,006
US TREASURY	15-Feb-2020	8.50%	780,000,000	1,045,441,800	927,765,654	117,676,146
US TREASURY	15-Aug-2017	8.88%	715,000,000	974,745,200	769,072,744	205,672,456
US TREASURY	15-Nov-2016	7.50%	607,000,000	728,685,290	601,080,007	127,605,283
US TREASURY	15-Aug-2013	12.00%	472,375,000	700,371,518	628,953,592	71,417,926
US TREASURY	15-May-2017	8.75%	475,000,000	639,692,000	472,957,195	166,734,805
US TREASURY	15-Aug-2019	8.13%	448,000,000	578,197,760	459,702,261	118,495,499

**Chart E | Largest equity holdings as June 30, 1999** (CalSTRS maintains a complete list of portfolio holdings)

Issue	Shares	Market Value	Average Cost	Unrealized Gain/(Loss)
Microsoft Corp.	16,742,266	1,509,943,114	355,488,917	1,154,454,197
General Electric Co.	10,635,141	1,201,770,933	351,207,169	850,563,763
International Business Mach	6,049,501	781,898,004	233,381,196	548,516,808
Wal Mart Stores Inc.	14,337,262	691,772,891	160,374,165	531,398,726
Cisco Systems NC	10,563,584	681,138,079	126,961,869	554,176,209
Lucent Technologies Inc.	10,070,481	679,128,106	141,752,002	537,376,103
Intel Corp.	10,644,158	633,327,401	151,960,405	481,366,995
Exxon Corp.	7,643,877	589,534,013	257,256,751	332,277,262
AT&T Corp.	10,502,425	586,166,602	290,923,510	295,243,092
Merck & Co Inc.	7,779,433	574,744,392	184,208,166	390,536,226

The performance objective of the internally managed passive portfolio is to track closely the return of the S&P 500 Index. During the period between June 1998 and June 1999, the S&P 500 indexed portfolio returned 22.7 percent, matching the benchmark S&P 500 Index return.

### Real Estate

Over the last fiscal year, CalSTRS portfolio of real estate assets reached \$2.2 billion. Forty-two directly owned properties and three privately owned partnerships represented this dollar amount. Real estate represents slightly more than 2 percent of the total portfolio. The direct property portfolio is diversified as to property type and geographic location. The two largest components of the direct property sector are office and industrial buildings, located in the western region of the United States. The CalSTRS' real estate portfolio has achieved annualized returns of 21, 17 and 13 percent, for the 1-, 3- and 5-year periods, respectively.

### Credit Enhancement

CalSTRS has entered into agreements with a number of issuers of non-taxable debt to guarantee the payment of principal and interest for specified default events. To reduce risk while increasing incremental return, CalSTRS is paid a fee over the term of the agreement. The majority of the transactions are supported by collateral, letters-of-credit from banks or bond insurers for repayment. As of June 30, 1999, the credit enhancement program had commitments of approximately \$665 million and fee income earned over the year was almost \$2 million.

### External Equity Management

In fiscal year 1998–1999, this segment of the portfolio accounted for 70 percent (or \$69.5 billion) of the total portfolio. Domestic equity was 46 percent of the total equity allocation, while international equity accounted for the remaining 24 percent. Although public equity was overweighted relative to the policy target, the overweighting is due to private equity commitments that are currently unfunded. The policy is monitored on a continuing basis and as commitments are funded in alternative investments and real estate, these interim overweights are reduced. Thus, the portfolio is not allowed to drift away from the strategic asset allocation targets or take unintentional “bets.”

### Corporate Governance

During the 1998–99 fiscal year, CalSTRS voted on a variety of proxy issues including financial, corporate governance and social issues. CalSTRS cast 6,588 votes on proxy issues of corporations whose shares were owned in the investment portfolio. These proxy issues were presented on 2,617 companies. Although the overall number of proxy issues declined from 7,521 last year and the number of companies reviewed declined from 2,889 companies, the number of mergers/acquisitions reviewed remained constant, at a little more than 10 percent. The steady completion of mergers, especially where stock is the compensation received by the acquired company's holders is a result of the appreciation in the stock market.

CalSTRS reviewed 44 percent fewer shareholder resolutions on tobacco issues than last year, while resolutions regarding the MacBride and CERES Principles remained constant. The Master Settlement Agreement between the tobacco companies and the states' attorneys general probably had a significant impact on the tobacco activism. The state of California

is expected to receive about \$1 billion annually for the next 25 years under the terms of this agreement.

The major issues voted are summarized below:

- 1. Election of Directors:** CalSTRS generally votes in favor of directors unless the proxy statement shows circumstances contrary to policy. Examples of such circumstances are: greater than 50 percent board representation by company executives, potential conflict of interest due to other directorships or employment and classification of the company directors.

*Number Voted: 2,372*  
*For: 1,863*  
*Against: 509*

- 2. Selection of Auditors/Accountants:** CalSTRS generally votes in favor on the independent auditors and accountants recommended by management.

*Number Voted: 1,441*  
*For: 1,441*  
*Against: 0*

- 3. Compensation Plans:** These are issues related to the incentive plans offered to the top employees of corporations. CalSTRS votes in favor of these plans as long as the incentive offered aligns shareholder interests with that of the management.

*Number Voted: 969*  
*For: 329*  
*Against: 640*

**Chart F** | Investment summary for the year ended June 30, 1999 (in millions)

Portfolio Type	30-Jun-98		30-Jun-99			
	Book Value	Market Value	Book Value	Market Value	% of Market Value	Net Market Change
Domestic Equity	16,498	36,058	20,996	45,838	45.88%	9,780
International Equity	16,498	18,511	19,021	23,686	23.70%	5,175
Fixed Income	23,592	25,970	24,880	24,902	24.92%	(1,068)
Global Asset Allocations	2,172	2,586	–	–	0.00%	(2,586)
Alternative Investments	1,526	1,986	2,155	2,590	2.59%	604
Real Estate	1,934	2,062	2,360	2,170	2.17%	108
Liquidity	1,116	1,116	738	739	0.74%	(377)
<b>Total Portfolio</b>	<b>63,336</b>	<b>88,289</b>	<b>70,150</b>	<b>99,925</b>	<b>100.00%</b>	<b>11,636</b>
Plus: Securities Lending Collateral		16,996		15,516		
Less: Accruals		376		362		
<b>Plan Net Assets–Investments</b>		<b>104,909</b>		<b>115,079</b>		

**Chart G** | Schedule of fees July 1, 1997 through June 30, 1999 (in thousands)

	Assets Under Management	Fees	Basis Points
<b>Investment Managers' Fees:</b>			
Domestic Equity	\$45,838,529	\$6,370	1.4
International/Global Managers	23,685,453	28,534	12.0
Alternative Investments	2,589,720	733	2.8
Real Estate	2,170,060	4,860	22.4
<b>Total Investment Managers' Fees</b>	<b>\$74,283,762</b>	<b>\$40,497</b>	<b>5.5</b>

**Chart H | Broker commissions** (July 1, 1998 through June 30, 1999)

Broker Name	Commission	Shares	Commission per share
<b>Domestic Equity Transactions</b>			
MORGAN STANLEY AND CO, INC	650,292	15,978,590	0.041
SALOMON SMITH BARNEY	545,423	14,041,580	0.039
CAPITAL INSTITUTIONAL SERVICES	474,730	9,203,935	0.052
INVESTMENT TECHNOLOGY GROUP INC	444,825	19,993,133	0.022
LEHMAN BROS INC	398,564	12,512,658	0.032
MERRILL LYNCH PIERCE FENNER + SMITH	389,214	8,963,737	0.043
INSTINET	338,180	20,412,686	0.017
GOLDMAN SACHS + CO	335,758	11,953,866	0.028
SEIDLER COMPANIES	330,380	6,611,211	0.050
JACKSON PARTNERS + ASSOCIATES INC	309,479	5,323,940	0.058
OTHER DOMESTIC	6,598,213	142,912,086	0.046
<b>Total Domestic</b>	<b>10,815,060</b>	<b>267,907,422</b>	<b>0.040</b>
<b>International Equity Transactions</b>			
MERRILL LYNCH	2,087,271	295,431,216	0.007
MORGAN STANLEY	1,231,788	97,377,589	0.013
GOLDMAN SACHS	920,104	62,594,426	0.015
INSTINET	914,448	31,940,579	0.029
HSBC	811,845	24,917,458	0.033
DRESDNER KLEINWORT BENSON	737,660	27,218,991	0.027
WARBG WARBURG DILLON READ LLC	690,141	43,571,369	0.016
SALOMAN BROS	601,673	60,470,649	0.010
CS FIRST BOSTON	563,798	36,317,092	0.016
KLEINWORT, BENSON NORTH AMERICA INC	479,273	23,030,252	0.021
OTHER INTERNATIONAL	8,608,971	1,401,092,547	0.006
<b>Total International</b>	<b>17,646,972</b>	<b>2,103,962,168</b>	<b>0.008</b>

**4. Corporate Actions/Corporate Governance Issues:**

These are issues related to mergers, acquisitions, stock issuance, stock splits and incorporation. CalSTRS generally votes in favor of these proposals unless there is a compelling reason not to cast a positive vote.

*Number Voted: 696*

*For: 406*

*Against: 290*

**5. Shareholder Proposed Issues Social and**

**Financial:** These are shareholder-submitted issues and are reviewed generally on a case-by-case basis. Previously established policy and the expressed philosophy of the Teachers' Retirement Board are also important considerations.

*Number Voted: 105*

*For: 64*

*Against: 41*

6. **Miscellaneous Issues from Both Shareholders and Management:** These are reviewed on a case-by-case basis.

*Number Voted: 1,005*

*For: 628*

*Against: 377*

### **Cash Balance Benefit Program**

The Cash Balance Benefit Program contributions are invested at the direction of the Teachers' Retirement Board in internally pooled portfolios of the Teachers' Retirement Fund. Sixty percent of the contributions are allocated to the S&P500 portfolio and 40 percent to the Government Index portfolio. The CB Benefit Program has ownership of units of these pooled portfolios that reflect market fluctuations of underlying securities on a daily basis. Income and expenses are distributed to each pooled portfolio on a pro rata basis determined by the number of units owned as a percentage of the total units of the portfolio.

Contributions in the CB Benefit Program began on February 1, 1997. The investment value of those contributions as of June 30, 1999, is \$4.8 million. For both portfolios, the combined total return for the past year was 16.6 percent. Since their inception, these portfolios have achieved a return of 22.1 percent. The benchmark returns for the past year were 22.7 percent for the S&P500 and .34 percent for the Salomon Brothers Large Pension Fund-Treasury.

# Defined Benefit Program

## Actuary's Certification Letter



November 5, 1999

### Watson Wyatt & Company

Suite 700  
15303 Ventura Boulevard  
Sherman Oaks, CA 91403-3197  
Telephone 818 906 2631  
Fax 818 906 2097

Teachers' Retirement Board  
California State Teachers' Retirement System

**RE: California State Teachers' Retirement System**

Dear Members of the Board:

The actuarial valuation report for the California State Teachers' Retirement System completed as of June 30, 1998, reveals that the Teachers' Retirement System is an actuarially sound system based on current actuarial assumptions. We have determined that the projected income stream from the contributions mandated by the Education Code will be sufficient to pay the Normal Cost. The Unfunded Actuarial Obligation has been eliminated as of the June 30, 1998 valuation.

Actuarial valuations are normally performed every two years, as of June 30 of each odd-numbered year. However, a special valuation was prepared as of June 30, 1998. The previous valuation, as of June 30, 1997, indicated that the Unfunded Actuarial Obligation could be funded over a period of 3 years.

The valuation was based on financial and employee data received from the System and from the Report of Independent Accountants prepared by PriceWaterhouseCoopers. Although we did not audit this data, we compared the data to that of prior years and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for purposes of our calculations.

Information presented in the following supporting tables included in this Actuarial Section of the 1999 Comprehensive Annual Financial Report is based on information found in our June 30, 1998 actuarial valuation report:

- Post-retirement mortality
- Probabilities of retirement
- Probabilities of withdrawal from active service
- Assumption for pay increases
- Economic assumptions
- Mortality assumptions
- Termination from disability
- Service retirement rates
- Disability rates
- Withdrawal rates
- Probability of refund
- Promotional salary increases
- Analysis of financial experience



In addition, data for the fiscal year ending June 30, 1998 presented in Schedule 1, and the summary of actuarial methods and assumptions in Schedule 2 of the Financial Section, are based on information found in our valuation report.

Actuarial methods and assumptions have been selected by the Teachers' Retirement Board. The Board has sole authority to determine the actuarial assumptions used for the Plan. In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation, and are internally consistent and reflect reasonable expectations. We also believe the assumptions and actuarial methods meet the requirements of Governmental Accounting Standards Board Statement No. 25. Note that the results of future valuations will differ from the June 30, 1998 results to the extent that actual experience differs from that projected by the assumptions.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board of the American Academy of Actuaries.

The undersigned are independent actuaries. Both are Fellows of the Society of Actuaries, Enrolled Actuaries, and Members of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

In conclusion, the California State Teachers' Retirement System is an actuarially sound system based on current actuarial assumptions.

Respectfully submitted,

W. Michael Carter, FSA, EA, MAAA  
Vice President

Gene Wickes, FSA, EA, MAAA  
Consulting Actuary

# Defined Benefit Program

## Summary of Actuarial Assumptions and Methods

CalSTRS, through its consulting actuary, performs an experience study every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied every two years when the consulting actuary performs an actuarial valuation to monitor the funding status of the Defined Benefit Program. The most recent experience study was completed as of June 30, 1995. The study was adopted by the Teachers' Retirement Board in April 1996. The most recent actuarial valuation was completed as of June 30, 1998, and adopted by the Teachers' Retirement Board in April 1999. The June 30, 1998 valuation was performed one year after the regularly scheduled June 30, 1997 valuation to allow an early determination of the funding status of the program as provided in the 1998 Budget Act.

Following are the assumptions adopted by the Teachers' Retirement Board for this program.

- Investment return rate is 8.00 percent.
- Method used to value program assets for actuarial valuation purposes: Expected actuarial value adjusted for 25 percent of the difference between actual market value and expected actuarial value.
- Assumption for general wage increase because of inflation is 5.5 percent of which 4.5 percent is due to inflation and 1.0 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the entry age normal actuarial cost method, with actuarial gains and losses amortized over the remaining period required for the amortization of any unfunded actuarial obligation.
- The extent to which benefits are expected to increase as a result of cost-of-living type adjustments is set in statute at a 2 percent simple increase provided annually beginning on September 1 following the first anniversary of the effective date of the allowance. Since 1971, this increase is applied to all eligible continuing allowances and is a provision of Part 13 of the Education Code, which governs the program.
- The last study of the program's actual experience was completed by the consulting actuary on March 25, 1996 (as of June 30, 1995) and adopted by the Teachers' Retirement Board April 11, 1996. All assumptions used in subsequent actuarial valuations were provided by that experience study. The most recent actuarial valuation of the program was

completed March 17, 1999 (as of June 30, 1998) and adopted by the Teachers' Retirement Board April 8, 1999.

**Table 1** | Post retirement mortality table for sample ages

Age	Male	Female
50	0.28 %	0.15 %
55	0.48	0.23
60	0.71	0.38
65	1.11	0.64
70	1.98	1.09
75	3.34	2.11
80	5.48	3.85
85	8.93	6.38
90	13.39	10.14
95	19.05	16.51
	<b>1983 GAM (-3)</b>	<b>1983 GAM (-1)</b>

**Table 2** | Probabilities of retirement for sample ages

Age	Male	Female
55	6.3 %	6.8 %
60	26.1	19.8
65	28.3	24.6
70	100.0	100.0

**Table 3** | Probabilities of withdrawal from active service before age and service retirement for sample ages

Duration	All Males	Entry Ages-Female			
		27	32	37	42
1	14.8 %	14.8 %	14.8 %	14.8 %	14.8 %
2	8.8	8.8	8.6	7.7	6.6
3	6.8	7.7	6.8	5.4	5.1
4	5.8	6.8	5.8	4.4	4.3
5	5.0	5.9	5.0	3.8	3.6
10	2.5	2.5	2.2	1.9	1.6
15	1.3	1.2	1.2	1.2	
20	0.8	0.9	0.9		
25	0.5	0.8			

**Table 4** | Assumption for pay increases due to promotions and longevity for sample ages (exclusive of the assumed general wage increase, which includes inflation)

Duration	Entry Ages			
	27	32	37	42
<b>Male</b>				
1	8.0 %	9.5 %	9.8 %	8.9 %
10	3.6	2.6	1.9	2.0
20	1.1	0.7	0.7	0.4
30	0.7	0.6	0.7	0.4
<b>Female</b>				
1	7.2 %	7.7 %	8.5 %	5.4 %
10	3.1	2.5	2.7	2.6
20	0.7	0.6	0.9	1.0
30	0.3	0.4	0.5	0.6

**Table 5** | Economic assumptions

Consumer Price Inflation	4.50 %
Investment Yield	8.00
Wage Inflation	5.50
Interest on Member Accounts	6.00
Growth in Active Membership	0.00
Administrative Expenses	0.25 *

\*Percent of payroll

**Table 6** | Mortality assumptions

Retired Members	-Male	1983 GAM-M (-3)
	-Female	1983 GAM-F (-1)
Active Members	-Male	1983 GAM-M (-5)
	-Female	1983 GAM-F (-3)
Beneficiaries	-Male	1983 GAM-M (-3)
	-Female	1983 GAM-F (-1)
Pre-1972 Disabilities	-Male	1951 GAM-M (-1)
	-Female	1951 GAM-F (-8)

**Table 7** | Termination from disability

Male	1983 GAM-M (Minimum 3.5%)
Female	1983 GAM-F (Minimum 2.2%)

**Discussion of recent changes in:**

**The nature of the program**—The nature of this program has not materially changed since the last experience study or valuation was completed.

**Actuarial assumptions**—The economic and demographic actuarial assumptions for this program have not changed since the last experience study or valuation was completed. The indicated assumptions were used to complete the last three valuations for this program.

Because the economic assumptions were not changed for the most recent actuarial valuation, as of June 30, 1998, there was no net change to the unfunded actuarial obligation based on these assumptions.

**Table 8** | Service retirement (sample ages)

<b>Male</b>	
55	6.3 %
60	26.1
65	28.3
70	100.0
Number	11,015
<b>Female</b>	
55	6.8 %
60	19.8
65	24.6
70	100.0
Number	15,330

**Table 9 | Disability**

Number of Disabilities		
<b>Coverage A</b>		
Male		283
Female		555
<b>Coverage B</b>		
Male		239
Female		560
Rate of Disability (sample ages)		
<b>Coverage A</b>		
Male	32	0.04 %
	42	0.09
	52	0.18
Female	32	0.05
	42	0.10
	52	0.20
<b>Coverage B</b>		
<i>Entry age under 40</i>		
Male	32	0.10 %
	42	0.14
	52	0.21
	62	0.42
Female	32	0.03
	42	0.10
	52	0.26
	62	0.41
<i>Entry age 42</i>		
Male	52	0.40 %
	57	0.50
	62	0.70
Female	52	0.40
	57	0.50
	62	0.70
<i>Entry age 47 &amp; over</i>		
Male	52	0.65 %
	57	0.95
	62	1.25
Female	52	0.50
	57	0.70
	62	1.10

Future service credits are determined by using individual records and projecting future service credits for each member based on that member's actual service credit earned in the prior year.

Because the demographic assumptions were not changed for the most recent actuarial valuation, as of June 30, 1998, there was no net change to the unfunded actuarial obligation based on those assumptions.

**Actuarial methods**

Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Asset Valuation Method	Expected Value with 25 percent adjustment to Market Value

Because the actuarial methods were not changed for the most recent actuarial valuation, as of June 30, 1998, there was no net change to the unfunded actuarial obligation based on these assumptions.

CalSTRS contracts for all actuarial services. The current contractor, Watson Wyatt Worldwide, has been the program's actuary since October 1, 1997.

There are no other specific assumptions that have a material impact on valuation results for this program.

The data displayed in Table 12 (on page 63) is as of June 30 of the specified year. Other information, specifically annual payroll amounts, reported in the financial section of this report will generally not be consistent. The reason for this is that the financial data reflects payroll for all individuals who were active during the year, while Table 12 only includes those individuals who are active as of June 30. It does not include those individuals who were active at some point during the year but not as of June 30.

Amounts provided in Table 13 (on page 63) represent the status of the population as of June 30 of the indicated year. The information provided in the Removed From Rolls and Rolls End of Year columns include the application of the annual post-retirement 2 percent not-compounded cost-of-living adjustment.

The data provided for each year end in Table 13 is a snapshot of the population taken following year-end closing for the indicated period. It is likely adjustments will be made subsequent to this closing. No attempt is made to update the data in Table 13 for these adjustments.

**Table 10** | Withdrawal all terminations

*Total Number of Terminations*

Male	10,824
Female	26,595

*Rates of Termination by Sample Durations of Membership and Sample Entry Ages*

Duration	Sample Entry Ages			
	27	32	37	42
<b>Male</b>				
1	14.8 %	14.8 %	14.8 %	14.8 %
2	8.8	8.8	8.8	8.8
3	6.8	6.8	6.8	6.8
4	5.8	5.8	5.8	5.8
5	5.0	5.0	5.0	5.0
10	2.5	2.5	2.5	2.5
15	1.3	1.3	1.3	
20	0.8	0.8		
25	0.5			
<b>Female</b>				
1	14.8 %	14.8 %	14.8 %	14.8 %
2	8.8	8.6	7.7	6.6
3	7.7	6.8	5.4	5.1
4	6.8	5.8	4.4	4.3
5	5.9	5.0	3.8	3.6
10	2.5	2.2	1.9	1.6
15	1.2	1.2	1.2	
20	0.9	0.9		
25	0.8			

*Probability of Refund by Sample Durations of Membership and Sample Entry Ages*

Duration	Sample Entry Ages			
	27	32	37	42
<b>Male</b>				
Under 5	100 %	100 %	100 %	100 %
10	60	50	50	45
15	50	45	45	
20	40	40		
25	30			
<b>Female</b>				
Under 5	100 %	100 %	100 %	100 %
10	40	40	40	35
15	35	35	35	
20	30	25		
25	20			

Because of the potential for post-closing adjustments that are not updated in Table 13, and for post-retirement adjustments that are included in the individual accounts rather than separately maintained, any update of a prior end of year total using additions and deletions from the next year most likely will not equal the total provided for the next year.

An experience analysis was performed for the program in 1991 and again in 1995. As a result of the performance of these studies, minor changes were made to the actuarial assumptions and to the funding methods. No significant plan changes have taken place during the period of time depicted in Table 14 (on page 63).

The most recent actuarial valuation of the system (as of June 30, 1998) determined there is no longer an unfunded actuarial obligation for this program. The prior actuarial valuation (as of June 30, 1997) stated amortization of the unfunded actuarial obligation would occur in three years. Theoretically, the June 30, 1998 actuarial valuation should have shown a remaining amortization period of two years. The elimination of the unfunded actuarial obligation is mainly attributable to favorable investment returns (\$3.545 billion) over the period since the prior actuarial valuation. Other contributing factors were (1) actual contributions that were higher than were assumed (\$0.704 billion) and (2) lower than expected liabilities (\$0.119 billion).

**Table 11** | Promotional salary increases (assumption for salaries due to promotions and longevity, exclusive of the assumed general wage increase)

Duration	Sample Entry Ages			
	27	32	37	42
<b>Male</b>				
1	8.0 %	9.5 %	9.8 %	8.9 %
10	3.6	2.6	1.9	2.0
20	1.1	0.7	0.7	0.4
30	0.7	0.6	0.7	0.4
<b>Female</b>				
1	7.2 %	7.7 %	8.5 %	5.4 %
10	3.1	2.5	2.7	2.6
20	0.7	0.6	0.9	1.0
30	0.3	0.4	0.5	0.6

With the exception of the actuarial valuation performed as of June 30, 1998, actuarial valuations are performed every two years to analyze the sufficiency of the statutory contributions to meet the current and future obligations of the program. By using the actuarial methods and assumptions adopted by the Teachers' Retirement Board, the actuarial valuation provides the best estimate of the program's long-term financing.

Comparing the unfunded actuarial obligation as of two valuation dates does not provide enough information to determine if there were actuarial gains or losses. The correct comparison is between the unfunded actuarial obligation on the valuation date and the expected unfunded actuarial obligation projected from the prior valuation date using the actuarial assumptions in effect for the period of comparison.

**Table 12** | Schedule of active member valuation data

Date (As of June 30)	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1994	319,176	\$11,978,064,140	\$37,528	0.5%
1995	327,513	12,411,264,262	37,895	1.0
1996	336,725	12,994,673,531	38,591	1.8
1997	364,000	14,371,068,403	39,481	2.3
1998	385,530	15,725,658,541	40,790	3.3
1999	402,220	17,007,886,951	42,285	3.7

**Table 13** | Schedule of retired members and beneficiaries added to and removed from rolls (\$ thousands)

Date (as of June 30)	Added to Rolls		Removed from Rolls		Rolls—End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
1994	7,787	\$186,556	4,395	\$48,919	141,873	\$2,256,581	8.8 %	\$15,906
1995	7,863	185,022	4,351	51,817	146,805	2,438,513	8.1	16,611
1996	7,737	186,916	4,642	55,635	150,805	2,621,422	7.5	17,383
1997	6,672	163,744	4,717	59,864	153,639	2,781,406	6.1	18,104
1998	7,996	206,368	4,908	64,640	157,747	2,985,017	7.3	18,923
1999	7,874	236,923	5,105	69,463	161,457	3,220,227	7.9	19,945

**Table 14** | Solvency test (\$ millions)

*Valuation Date (as of June 30)	Aggregate Accrued Liabilities For			Actuarial Value of Assets	Funding of Liabilities		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions On Deposit	Future Benefits to Benefit Recipients	Service Already Rendered by Active Members				
1993	\$12,831	\$20,930	\$19,820	\$45,212	100.0%	100.0%	57.8%
1995	14,478	25,416	23,497	55,207	100.0%	100.0%	65.2%
1997	17,041	29,127	23,684	67,980	100.0%	100.0%	92.1%
1998	18,451	31,158	24,625	77,290	100.0%	100.0%	112.4%

\*No actuarial report is prepared in even-numbered years, except for the June 30, 1998 report. No estimation using actuarial methodology is made in years between valuations.

Table 15 (below) shows the unfunded actuarial obligation and the elements to project that figure forward: the normal cost, less contributions assumed to be collected, plus a charge for interest at the assumed rate.

Actuarial gains reduce the unfunded actuarial obligation as of the valuation date, and actuarial losses increase the unfunded actuarial obligation. Most actuarial gains and losses are a result of short-term fluctuations in experience or changes in actuarial assumptions. Because of the long-term nature of actuarial assumptions, future patterns of emerging experience may offset these short-term fluctuations.

### Independent actuarial review

Actuarial services for the California State Teachers' Retirement System are provided, under contract, by a qualified independent actuarial firm. CalSTRS does not retain an actuary on-staff.

The work performed for CalSTRS by the independent actuarial firm is subject to periodic audit by the Bureau of State Audits. Also, through the competitive

acquisition process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm's work through an actuarial audit completed by another firm. These audit services are acquired using the competitive acquisition process.

Past actuarial work performed for CalSTRS has been found to be in compliance with actuarial standards of practice, and to be of the highest quality.

The current actuarial consultant replaced the prior consultant on October 1, 1997 as a result of the competitive acquisition process. The first major task for the new consultant was to recreate the result of the prior actuary's actuarial valuation as of June 30, 1995 to establish a baseline. Recreating the prior result provided an audit of that result and allowed the opportunity for the new consultant to ensure they understood the provisions of the program and agreed with the in-place assumptions. The result of this effort validated the previous actuarial valuation.

**Table 15 | Analysis of financial experience** (gains and losses in unfunded actuarial obligation resulting from differences between assumed and actual experience) (\$ Billions)

	Actuarial Valuation as of June 30	
	1998	1997
Unfunded Actuarial Obligation at June 30:	\$1.872 (1997)	\$8.184 (1995)
Expected Increases & Decreases		
Normal Cost	2.293	4.313
Contributions	(2.975)	(5.529)
Interest	0.122	1.264
Expected net Increases & Decreases	\$(0.560)	\$0.048
Expected Unfunded Actuarial Obligation at June 30:	\$1.312 (1998)	\$8.232 (1997)
Actuarial Gains & (Losses)		
Change in Methods	0	1.075
Change in Economic Assumptions	0	0
Change in Demographic Assumptions	0	0
Investment Return Assumption	3.545	3.239
Wage Increase Assumption	0	0
Contribution Assumption	0.704	0.354
Net Change Other Sources	0.119	1.692
Net Actuarial (Gains) & Losses	\$4.368	\$(6.360)
Unfunded Actuarial Obligation at June 30:	\$(3.056) (1998)	\$1.872 (1997)

## Summary of Defined Benefit Program Provisions

(considered in the June 30, 1998 actuarial valuation)

### Service Retirement

#### Eligibility

Age 60 with five years of credited California service.

#### Benefit Formula

2 percent of final compensation for each year of credited service at age 60. (Final compensation is the average salary earnable for the highest three consecutive years of credited California service.)

#### Exceptions:

- 1) For an eligible classroom teacher who retires after June 30, 1990, final compensation may be the highest annual compensation earnable during any period of 12 consecutive months while a member of the plan. This provision only applies to a qualified classroom teacher, as defined, who is employed by an employer who has entered into a written agreement with the exclusive employee representative to make this provision applicable.
- 2) Effective January 1, 1994, final compensation may be the highest average annual compensation earnable during any three nonconsecutive years (one year is a period of 12 consecutive months) of membership in the plan. This alternative is available only to a member whose salary has been reduced because of a reduction in school funds.

### Early Retirement

#### Eligibility

Age 55 with five years credited California service. A 1/2 percent reduction is made in the normal retirement allowance for each full month or partial month the member is younger than age 60.

#### 30 and Out

Age 50 with 30 years of credited California service. The standard (1/2 percent) early retirement reduction is applied from 60 to age 55 and a 1/4 percent reduction is made for each full or partial month the member is younger than age 55.

### Retirement After Normal Retirement Age

Members continue to earn additional service credit after age 60, but there is no increase in the 2 percent benefit factor.

### Pre-Retirement Election of an Option

Any member who is eligible for service retirement may make a pre-retirement election to receive a modified joint and survivor allowance payable at retirement in place of the unmodified allowance. If the member dies prior to retirement, the option beneficiary will receive a lifetime allowance based on the option selected. This election is available for those members who, at age 55, do not wish to retire, but want to ensure a monthly lifetime income to a beneficiary in the event death occurs prior to retirement. However, the pre-retirement election makes the member ineligible for a family or survivor benefit allowance unless the election is canceled prior to death.

### Post-Retirement Adjustment

#### Benefit Improvement Factor

There is a 2 percent simple increase on each September 1 following the first anniversary of the effective date of the allowance (the date on which the monthly allowance began to accrue). The annual 2 percent increase is applied to all continuing allowances.

## Disability Allowance— Coverage A

#### Eligibility

*Age Limit:* Under age 60.

*Service Credit:* Minimum of five years.

*Employment Status:* May apply for disability allowance while still employed.

#### Benefit Formula

##### Allowance

50 percent of final compensation

or

5 percent of final compensation for each year of service credit if over age 45 with less than 10 years of service credit.

plus

**Children's Benefits**

10 percent of final compensation for each eligible dependent child, up to a maximum of 40 percent of final compensation. The increment for each eligible child continues until the child attains age 22.

**Pre-Retirement Election of an Option**

Any member receiving a disability allowance who is eligible to retire may make a pre-retirement election to receive a modified joint and survivor allowance payable at retirement in place of the unmodified allowance. If the member dies prior to retirement, the option beneficiary will receive a lifetime allowance based on the option selected. The pre-retirement election makes the member's survivor ineligible for the family allowance unless the election is canceled prior to the member's death.

**Earnings Limit**

In a single month, the disability allowance (less amounts payable for children) plus employment earnings may not exceed 100 percent of indexed final compensation.

*or*

For a six-month period, average earnings may not exceed 66-2/3 percent of indexed final compensation.

**Conversion To Service Retirement**

Allowance is payable for duration of disability or until conversion to a service retirement allowance at normal retirement age. A member's allowance is based on the projected final compensation and projected service to normal retirement age; however, the service retirement allowance may not exceed the terminated disability allowance.

**Death Benefit**

A \$5,493 lump-sum death payment is payable to the designated beneficiary upon the death of the disabled member. The amount of the death payment may be adjusted by the Teachers' Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

*plus*

If the member has not elected a pre-retirement option, a family allowance is payable to the surviving spouse who has children eligible for a children's benefit.

*or*

If there are no eligible children, the spouse may elect to take a lump-sum refund of the contributions and interest remaining in the member's account or receive an Option 3 beneficiary allowance at age 60, or immediately with a reduction based on the member's and spouse's ages at the time the benefit begins.

**Disability Retirement — Coverage B****Eligibility**

*Age Limit:* None.

*Service Credit:* Minimum of five years.

*Employment Status:* May apply for disability retirement while still employed.

**Benefit Formula****Allowance**

50 percent of final compensation regardless of age and service credit.

*plus*

**Children's Benefits**

10 percent of final compensation for each eligible dependent child, up to a maximum of 40 percent of final compensation. The increment for each eligible child continues until the child attains age 21, regardless of student, marital or employment status.

**Option Election**

May elect a joint and survivor option upon application for a disability retirement.

**Earnings Limit**

There is a calendar year limitation on earnings from all employment. The allowance of a member retired for disability will be reduced by the amount of any earnings in excess of the limitation. Effective July 1, 1998, the limit was increased to \$18,750. The initial earnings limitation of \$15,000 is adjusted each July 1 by 100 percent of the annual increase in the All Urban California Consumer Price Index, using December 1989 as the base.

**Conversion to Service Retirement**

No conversion; allowance is payable for the duration of the disability.

**Death Benefit**

A \$5,493 lump-sum death payment is payable to the designated beneficiary upon the death of the disabled member. The amount of the death payment may be adjusted by the Teachers’ Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

*plus*

If an option was selected at the time of disability retirement, a lifetime allowance is payable to the option beneficiary.

*or*

If no option was selected, a lump-sum refund of any remaining contributions and interest in the member’s account is payable to the eligible beneficiary.

***Family Allowance—Coverage A***

***Eligibility***

*Status:* Member was actively employed or receiving a disability allowance at the time of death and had not elected a pre-retirement election of an option.

*Service Credit:* One or more years.

**Lump-Sum Death Payment**

A \$5,493 lump-sum death payment is payable to the designated beneficiary upon the death of the member. The amount of the death payment may be adjusted by the Teachers’ Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

**Basic Benefit**

When there are eligible children, a family allowance will be paid. If there are no eligible children, the spouse may elect to receive an Option 3 beneficiary allowance at age 60 or immediately with a reduction based on the member’s and spouse’s ages at the time the benefit begins or take a lump-sum refund of the remaining contributions and interest in the member’s account.

**Surviving Spouse**

***Eligibility***

Married to the member for at least one year on the date of death.

***Allowance***

The surviving spouse with eligible children would receive 40 percent of the member’s final compensation for as long as there is at least one eligible child.

An additional 10 percent of final compensation is payable for each eligible child, up to a maximum benefit of 50 percent for the children’s increment.

To be eligible, dependent children must be unmarried and under age 22.

When there are no eligible children, the spouse may elect to receive an Option 3 beneficiary allowance or take a lump-sum refund of the remaining contributions and interest in the member’s account.

If there is no surviving spouse, an allowance of 10 percent of the member’s final compensation is payable to each eligible child up to a maximum of 50 percent of final compensation.

If there is neither a surviving spouse nor a dependent child, the member’s dependent parents may elect to receive an Option 3 beneficiary allowance at age 60 or over, or take a lump-sum refund of the remaining contributions and interest in the member’s account.

**Contributions and Interest**

If there is no surviving spouse, eligible children, or dependent parent, the contributions and interest are paid to the designated beneficiary.

**Death Benefit for Retired Members**

Designated beneficiaries of CalSTRS retired members receive a \$5,493 lump-sum death payment. The amount of the death payment may be adjusted by the Teachers’ Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

***Survivor Benefits—Coverage B***

***Eligibility***

*Status:* Member was actively employed at the time of death and had not elected a pre-retirement election of an option.

*Service Credit:* One or more years.

**Lump-Sum Death Payment**

A \$21,974 lump-sum death payment is payable to the designated beneficiary if the member had one or more years of credited service. The amount of the death payment may be adjusted by the Teachers' Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

**Basic Benefit**

The surviving spouse may elect to receive a monthly allowance or take a lump-sum of the contributions and interest in the member's account.

**Surviving Spouse****Eligibility**

Married to the member for at least one year on the date of death.

**Allowance**

If the surviving spouse elects not to take a lump-sum refund of the contributions and interest in the member's account, the surviving spouse would receive one half of the member's Option 3 allowance, beginning on the member's 60th birthday, or immediately with a reduction based on the member's and spouse's age at the time the benefit begins. There is no dependent child requirement.

If the surviving spouse elects a monthly allowance, each eligible dependent child would receive 10 percent of the member's final compensation with a maximum benefit of 50 percent. The benefit is dependent upon the spouse electing a monthly allowance.

To be eligible, dependent children must be under age 21. Student, marital or employment status will not terminate the benefit.

If there is no surviving spouse, no children's benefits are payable.

**Contributions and Interest**

If there is no surviving spouse, the contributions and interest are paid to the member's designated beneficiary.

**Death Benefit for Retired Members**

Designated beneficiaries of CalSTRS retired members receive a \$5,493 lump-sum death payment. The amount of the death payment may be adjusted by the Teachers'

Retirement Board following each actuarial valuation based on changes to the All Urban California Consumer Price Index.

**Termination of Membership**

After termination of employment, a member may request a refund of contributions and interest as credited to the member's account to date of withdrawal.

A refund terminates membership in and all rights to future benefits from the program.

**Funding**

**Members Contribution:** Eight percent of salary.

**Employers Contribution:** Eight percent of the total of the salaries on which the members contributions are based

*plus*

0.25 percent of salary to pay costs related to unused sick leave service credit (effective July 1, 1986).

*plus*

0.307 percent of salary covers the cost of ad hoc benefit adjustments (effective January 1, 1980).

**State Contribution:** The state's quarterly contribution to CalSTRS, commencing October 1, 1991, is set at 1.075 percent of the total of the salaries of the prior calendar year upon which members' contributions are based. This rate will continue until the unfunded obligation is eliminated and then will be reduced to the amount required to cover the normal cost of the benefits in effect on July 1, 1990.

**Changes in Defined Benefit Program Provisions**

Since the last annual financial report, program amendments have been made that would affect the next actuarial valuation. The amendments described below were effective January 1, 1999, and, therefore, not considered for the June 30, 1998 actuarial valuation.

**Age Factor**

The age factor for members who retire after the age of 60 is increased for each quarter year of age from 2 percent at age 60 to 2.4 percent at age 63 or older.

***Career Bonus***

Members who retire with at least 30 years of earned service credit have an additional 0.2 percent (two-tenths of 1 percent) added to the age factor up to a maximum age factor of 2.4 percent. The 30 years of service credit to qualify for the career bonus does not include credit from unused sick leave or Golden Handshake.

***Unused Sick Leave***

All CalSTRS members who retire on or after January 1, 1999, receive service credit for unused sick leave at retirement.

***Funding***

**Members Contribution:** Eight percent of creditable compensation.

**Employers Contribution:** Eight percent of the total of the creditable compensation on which members' contributions are based.

***plus***

0.25 percent of the total creditable compensation on which members' contributions are based to pay costs for unused sick leave service credit.

**State Contribution:** Commencing July 1, 1999, 3.102 percent of the total of the creditable compensation of the immediately preceding calendar year upon which members' contributions are based calculated annually on October 1, paid in four equal quarterly payments. Used to fund certain benefit enhancements effective January 1, 1999.

***plus***

Commencing October 1, 1998, 0.524 percent adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the total of the creditable compensation of the immediately preceding calendar year upon which members' contributions are based calculated annually on October 1, paid in four equal quarterly payments. This contribution is reduced to zero if there is no unfunded obligation or normal cost deficit for benefits in effect on July 1, 1990.

# Cash Balance Benefit Program

## Actuary's Certification Letter



November 5, 1999

### Watson Wyatt & Company

Suite 700  
15303 Ventura Boulevard  
Sherman Oaks, CA 91403-3197  
Telephone 818 906 2631  
Fax 818 906 2097

Teachers' Retirement Board  
California State Teachers' Retirement System

### RE: California State Teachers' Retirement System Cash Balance Plan

Dear Members of the Board:

We have performed an actuarial valuation of the California State Teachers' Retirement System Cash Balance Plan as of June 30, 1998. The primary purpose of the valuation is to determine the adequacy of the current contribution rates through the measurement of the Gain and Loss Reserve, to describe the current financial condition of the Plan, and to analyze changes in the Plan's condition.

The Gain and Loss Reserve and the Unfunded Actuarial Accrued Liability illustrate the progress toward the realization of financing objectives. Based on the actuarial valuation as of June 30, 1998, and the merger of this Plan with the Defined Benefit Plan as of January 1, 1999. The Plan's Unfunded Actuarial Accrued Liability has been eliminated.

Actuarial valuations for this plan are performed annually. This valuation as of June 30, 1998 is the second valuation for this plan.

Information presented in the following supporting tables included in this Actuarial Section of the 1999 Comprehensive Annual Financial Report is based on information found in our June 30, 1998 actuarial valuation report:

- Post retirement mortality
- Probabilities of retirement
- Probabilities of withdrawal from active service
- Assumption for pay increases
- Economic assumptions
- Mortality assumptions
- Termination from disability
- Service retirement rates
- Disability rates
- Withdrawal rates
- Probability of refund
- Promotional salary increases
- Analysis of financial experience

Teachers' Retirement Board  
 November 5, 1999  
 Page 2



In addition, data for the fiscal year ending June 30, 1998 presented in Schedule 1, and the summary of actuarial methods and assumptions in Schedule 2 of the Financial Section, are based on information found in our valuation report.

The valuation was based on financial and employee data received from the System. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and determined it sufficiently accurate for purposes of our calculations.

Actuarial methods and assumptions have been selected by the Teachers' Retirement Board. The Board has sole authority to determine the actuarial assumptions used for the Plan. In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation, and are internally consistent and reflect reasonable expectations. We also believe the assumptions and actuarial methods meet the requirements of Governmental Accounting Standards Board Statement No. 25. Note that the results of future valuations will differ from the June 30, 1998 results to the extent that actual experience differs from that projected by the assumptions.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board of the American Academy of Actuaries.

The undersigned are independent actuaries. Both are Fellows of the Society of Actuaries, Enrolled Actuaries, and Members of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

Respectfully submitted,

W. Michael Carter, FSA, EA, MAAA  
 Vice President

Gene Wickes, FSA, EA, MAAA  
 Consulting Actuary

# Cash Balance Benefit Program

## Summary of Actuarial Assumptions and Methods

CalSTRS, through its consulting actuary, will perform an experience study at least every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied every year when the consulting actuary performs an actuarial valuation to monitor the funding status of the Cash Balance Benefit Program. The most recent actuarial valuation was completed as of June 30, 1998, and adopted by the Teachers' Retirement Board November 5, 1998.

The Cash Balance Benefit Program was established July 1, 1996 and, therefore, has not yet existed for a sufficient period of time to allow completion of the first experience study. For this reason, it was necessary for the actuary to provide recommended economic and demographic assumptions that were based on those used by the Defined Benefit Program and the actuary's best judgement based on the actuary's experience with similar plans. These recommendations were adopted by the Teachers' Retirement Board on November 6, 1997, and were used to complete the latest actuarial valuation which was completed as of June 30, 1998. Following are the assumptions adopted by the Teachers' Retirement Board for this program.

- Investment return rate is 6.50 percent.
- Method used to value plan assets for actuarial valuation purposes: The actuarial value of assets is equal to the net assets available for benefits. This is the same as market value of assets less payables as reflected in the financial statements.

**Table 1** | Post-retirement mortality table for sample ages

Age	Male	Female
50	0.28 %	0.15 %
55	0.48	0.23
60	0.71	0.38
65	1.11	0.64
70	1.98	1.09
75	3.34	2.11
80	5.48	3.85
85	8.93	6.38
90	13.39	10.14
95	19.05	16.51
	<b>1983 GAM (-3)</b>	<b>1983 GAM (-1)</b>

**Table 2** | Probabilities of retirement for sample ages

Age	Male	Female
55	6.3 %	6.8 %
60	26.1	19.8
65	28.3	24.6
70	100.0	100.0

**Table 3** | Probabilities of withdrawal from active service before age and service retirement for sample ages (assumption for the CB Benefit Program is 125% of the rates shown in this table)

Duration	All Males	Entry Ages-Female			
		27	32	37	42
1	14.8 %	14.8 %	14.8 %	14.8 %	14.8 %
2	8.8	8.8	8.6	7.7	6.6
3	6.8	7.7	6.8	5.4	5.1
4	5.8	6.8	5.8	4.4	4.3
5	5.0	5.9	5.0	3.8	3.6
10	2.5	2.5	2.2	1.9	1.6
15	1.3	1.2	1.2	1.2	
20	0.8	0.9	0.9		
25	0.5	0.8			

**Table 4** | Assumption for pay increases due to promotions and longevity for sample ages (exclusive of the assumed general wage increase, which includes inflation)

Duration	Entry Ages			
	27	32	37	42
<b>Male</b>				
1	8.0 %	9.5 %	9.8 %	8.9 %
10	3.6	2.6	1.9	2.0
20	1.1	0.7	0.7	0.4
30	0.7	0.6	0.7	0.4
<b>Female</b>				
1	7.2 %	7.7 %	8.5 %	5.4 %
10	3.1	2.5	2.7	2.6
20	0.7	0.6	0.9	1.0
30	0.3	0.4	0.5	0.6

**Table 5 | Economic assumptions**

Consumer Price Inflation	4.50 %
Investment Yield	7.00
Wage Inflation	5.50
Interest on Participant Accounts	7.00

**Table 6 | Mortality assumptions**

Retired Members	-Male	1983 GAM-M (-3)
Active Members	-Female	1983 GAM-F (-1)
Beneficiaries	-Male	1983 GAM-M (-3)
	-Female	1983 GAM-F (-1)

**Table 7 | Termination from disability**

Male	1983 GAM-M (Minimum 3.5%)
Female	1983 GAM-F (Minimum 2.2%)

**Table 8 | Service retirement (sample ages)**

Male	
55	6.3 %
60	26.1
65	28.3
70	100.0
Female	
55	6.8 %
60	19.8
65	24.6
70	100.0

- Assumption for general wage increase because of inflation is 5.5 percent, of which 4.5 percent is due to inflation and 1.0 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the traditional unit credit cost method.
- The Cash Balance Benefit Program does not provide cost-of-living adjustments for benefit recipients.
- Because this is a relatively new program, sufficient information is not yet available to allow a study of the program's actual experience. Initial experience for this program was developed using the experience of the Defined Benefit Program and the judgment and expertise of the qualified consulting actuary. The assumptions recommended by the actuary were adopted by the Teachers' Retirement Board November 6, 1997, and used to develop subsequent actuarial valuations.

**Discussion of recent changes in:**

**The nature of the program**—The Cash Balance Benefit Program is a relatively new plan, established July 1, 1996. All provisions of the program were considered when completing the most recent actuarial valuation.

**Table 9 | Disability rates (sample ages)**

Age	Entry Ages		
	<37	42	47
<b>Male</b>			
25	0.02 %		
30	0.07		
35	0.12		
40	0.13		
45	0.16	0.23 %	
50	0.20	0.36	0.49 %
55	0.27	0.46	0.80
<b>Female</b>			
25	0.03 %		
30	0.03		
35	0.05		
40	0.09		
45	0.14	0.23 %	
50	0.23	0.36	0.40 %
55	0.32	0.46	0.60

**Actuarial assumptions**—The following assumptions were used to complete the valuation for this program.

The economic assumptions for the actuarial valuation as of June 30, 1998, did not affect the unfunded actuarial obligation. The economic assumptions for this program will have minimal impact under the traditional unit credit cost method or only have significance when participants elect to annuitize the account balance. Under the program, a participant must have at least \$3,500 in his or her account to elect to annuitize the account balance.

**Table 10** | **Withdrawal rates** (rates of termination by sample durations of membership and sample entry ages. Assumption is 125% of the rates shown.)

Duration	All Males	Sample Entry Ages-Female			
		27	32	37	42
1	14.8 %	14.8 %	14.8 %	14.8 %	14.8 %
2	8.8	8.8	8.6	7.7	6.6
3	6.8	7.7	6.8	5.4	5.1
4	5.8	6.8	5.8	4.4	4.3
5	5.0	5.9	5.0	3.8	3.6
10	2.5	2.5	2.2	1.9	1.6
15	1.3	1.2	1.2	1.2	
20	0.8	0.9	0.9		
25	0.5	0.8			

**Table 11** | **Profitability of refund**

Duration	Sample Entry Ages			
	27	32	37	42
<b>Male</b>				
Under 5	100 %	100 %	100 %	100 %
10	60	50	50	45
15	50	45	45	
20	40	40		
25	30			
<b>Female</b>				
Under 5	100 %	100 %	100 %	100 %
10	40	40	40	35
15	35	35	35	
20	30	25		
25	20			

Future service credits are determined by using individual records and projecting future service credits for each member based on that member's actual service credit earned in the prior year.

The demographic assumptions for the actuarial valuation as of June 30, 1998, did not affect the unfunded actuarial obligation. The demographic assumptions for this plan will have minimal impact under the traditional unit credit cost method or only have significance when participants elect to annuitize the account balance. Under the plan, a participant must have at least \$3,500 in his or her account to elect to annuitize the account balance.

**Actuarial methods**

Actuarial Cost Method	Traditional Unit Credit
Asset Valuation Method	Equal to the net assets available for benefits

The actuarial methods used for the program's actuarial valuation as of June 30, 1998, result in an unfunded actuarial accrued liability of \$937,705 for the program. This deficit is primarily due to a \$1.3 million loan (including interest) from the Teachers' Retirement Fund to assist with initial program expenses. Legislation (Chapter 1048, Statutes of 1998) merged the Cash Balance and Defined Benefit plans into two different programs within a single plan, which will discharge this loan and divide administrative expenses proportionally according to the assets of the two programs. This action

**Table 12** | **Promotional salary increases** (assumption for salaries due to promotions and longevity, exclusive of the assumed general wage increase)

Duration	Entry Ages			
	27	32	37	42
<b>Male</b>				
1	8.0 %	9.5 %	9.8 %	8.9 %
10	3.6	2.6	1.9	2.0
20	1.1	0.7	0.7	0.4
30	0.7	0.6	0.7	0.4
<b>Female</b>				
1	7.2 %	7.7 %	8.5 %	5.4 %
10	3.1	2.5	2.7	2.6
20	0.7	0.6	0.9	1.0
30	0.3	0.4	0.5	0.6

**Table 13** | Schedule of active member valuation data

Date (As of June 30)	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1996	Plan established July 1, 1996			
1997	1,057	\$2,109,000	\$4,261	na
1998	3,505	\$18,832,000	\$5,375	26.1%
1999	Information not available for this CAFR			

**Table 14** | Schedule of retired members and beneficiaries added to and removed from rolls

Date (as of June 30)	Added to Rolls		Removed from Rolls		Rolls—End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
1996	Plan established July 1, 1996							
1997	0	\$0	0	\$0	0	\$0	na	na
1998	0	0	0	0	0	0	na	na
1999	Information not available for this CAFR							

**Table 15** | Solvency test

Valuation Date (as of June 30)	Aggregate Accrued Liabilities For			Actuarial Value of Assets	Funding of Liabilities		
	(1) Active Member Contributions On Deposit	(2) Future Benefits to Benefit Recipients	(3) Service Already Rendered by Active Members		(1)	(2)	(3)
1996	Plan established July 1, 1996						
1997	\$164,078	\$0	\$0	\$(393,000)	-240.0%	na	na
1998	\$1,727,705	\$0	\$0	\$2,083,000	120.6%	na	na
1999	Information not available for this CAFR						

**Table 16** | Analysis of financial experience

	Actuarial Valuation as of June 30	
	1998	1997
Actuarial Accrued Liability	\$1,727,705	\$164,078
Actuarial Value of Assets (1)	790,000	(393,000)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 937,705	\$557,078
Funded Ratio	46%	(240%)

(1) Reflects a \$1, 293,000 loan from the Teacher's Retirement Fund that was discharged subsequent to the June 30, 1998 actuarial valuation. The result of the loan discharge provided a UAAL of (\$355,295) and a funded ratio of 121 percent. The loan discharge was effective January 1, 1999.

will eliminate the previously identified unfunded liability.

CalSTRS contracts for all actuarial services. The current contractor, Watson Wyatt Worldwide, has been CalSTRS' actuary since October 1, 1997. This firm completed the first actuarial valuation for the Cash Balance Plan, as it was called then, as of June 30, 1997, as well as the valuation as of June 30, 1998.

There are no other specific assumptions that have a material impact on valuation results for this program.

#### **Independent actuarial review**

Actuarial services for the State Teachers' Retirement System are provided, under contract, by a qualified independent actuarial firm. CalSTRS does not retain an actuary on-staff.

The work performed for CalSTRS by the independent actuarial firm is subject to periodic audit by the Bureau of State Audits. Also, through the competitive acquisition process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm's work through an actuarial audit completed by another firm. These audit services are acquired using the competitive acquisition process.

Past actuarial work performed for CalSTRS has been found to be in compliance with actuarial standards of practice and to be of the highest quality.

The current actuarial consultant was retained on October 1, 1997 as a result of the competitive acquisition process. The first major task for the new consultant was to complete the program's first actuarial valuation, which was done as of June 30, 1997.

## **Summary of Cash Balance Benefit Program Provisions**

*(considered in the June 30, 1998 actuarial valuation)*

#### **Description of Program**

The Cash Balance Benefit Program is considered a defined benefit plan under the requirements of the Internal Revenue Code. It is optional to school districts, community college districts or county offices of education as an alternative retirement plan. The CB Benefit Program is a primary retirement program for employees of California's public schools who are hired to perform creditable service for less than 50 percent of the full-time equivalent for the position.

#### **Plan Eligibility Requirements**

Employers may offer the program to eligible employees. Employers must, through formal school board action, offer this program exclusively, or in addition to other alternative plans, and/or Social Security.

When an employer first elects to offer the program, employees employed to perform creditable service, and whose basis of employment (employee's formal contract) is less than 50 percent of the full-time equivalent for the position, become participants on the later of: (1) the first day in which creditable service is performed or (2) the effective date of the employer's governing board's action to provide the CB Benefit Program.

#### **Elections**

Employees have the right to elect coverage under either Social Security or an alternative plan in lieu of the CB Benefit Program if the employer's governing board's action provides for these options.

An election to participate in either Social Security or an alternative plan does not prevent an employee from electing to participate in the CB Benefit Program at a later date, as long as the CB Benefit Program is provided by the employer and the employee is eligible to participate in the program.

#### **Discontinued eligibility**

Employees shall cease contributing to the CB Benefit Program and become mandatory members of the CalSTRS Defined Benefit Program when the basis of employment (formal contract) changes to 50 percent or more of full-time for the position, OR upon election to the CalSTRS DB Program, which may occur at any time.

### **Contributions**

Each employer contributes a minimum of 4 percent of salary on behalf of each participating employee. Through the collective bargaining process, employers are permitted to pay different levels of employee and employer contributions, as long as the following conditions are met:

- 1) The sum of the employee and employer contributions equals or exceeds 8 percent of employee salary.
- 2) The employee and employer contribution rates are the same for each participant employed by the employer.
- 3) The contribution rates as determined under the collective bargaining agreement become effective on the first day of the program year and remain in effect for at least one program year.

### **Vesting**

A participant has an immediate vested right to a retirement benefit equal to the sum of the balance of contributions, including any compounded interest earned on his or her employee and employer accounts.

### **Guaranteed Interest Rate**

The CB Benefit Program has a guaranteed interest rate that is determined annually by the Teachers' Retirement Board. The rate is based on the average of thirty-year U.S. Treasury notes for the 12 months immediately preceding the program year (May–April).

### **Program Investments**

The CB Benefit Program is a separate benefit structure within CalSTRS. CB Benefit Program contributions are invested at the direction of the board in internally pooled portfolios of the Teachers' Retirement Fund. The program has ownership of units of these pooled portfolios, which reflect market fluctuations of underlying securities on a daily basis. Units are purchased using the current market value per unit. Unitized funds are accounted for on a multiple class level, which entails the sharing of one portfolio by two or more owners. Income and portfolio level expenses are distributed to each class level on a pro rata basis determined by the amount of units owned as a percentage of the total units of the portfolio.

### **Gain and Loss Reserve**

Funds accumulate in a gain and loss reserve to credit interest to participants' employee and employer

accounts during years when the rate of return on investments is less than the guaranteed interest rate. Annual additions to the reserve are determined by the board on earnings in excess of those needed to credit the guaranteed interest rate and pay administrative costs. The gain and loss reserve will also be used to ensure adequate funds are available in the annuitant reserve for monthly annuity payments.

### **Additional Earnings Credit**

After the end of the program year, when the total investment earnings for the immediately preceding program year are known, the board may declare an additional earnings credit. Any additional earnings credit will be applied to participants' employee and employer accounts.

### **Retirement Eligibility**

Normal retirement age is 60, but no earlier than age 55 years. A participant must terminate all creditable service in the CB Benefit Program and apply for a retirement benefit. Distribution of a retirement benefit must begin by age 70 1/2, unless still working.

### **Retirement Benefit**

Normal retirement benefit is a lump-sum benefit equal to the balance of credits in participant's employee and employer accounts. All the lump-sum payment may be eligible to roll over into an IRA, defined contribution plan or other eligible retirement plan that accepts such a rollover.

*or*

Participant may choose one of the following five annuities, if participant's balance is \$3,500 or more: a single life annuity with a cash refund feature, a single life annuity without a cash refund feature, a 100 percent joint and survivor annuity, a 50 percent joint and survivor annuity, and a period-certain annuity.

### **Disability Eligibility**

A participant may apply for disability at any time. All creditable service subject to coverage by the CB Benefit Program must be terminated prior to the disability date. A disability benefit will become payable only upon determination by the board that the participant has a total and permanent disability.

**Disability Benefit**

Normal distribution is a lump-sum benefit. The benefit amount is equal to the balance of contributions, interest and additional credits in participant's employee and employer accounts. There is also an annuity available in the same five retirement benefit options as long as participant's account balance is \$3,500 or more.

**Death Benefit*****Death of Participant Prior to Retirement***

Normal distribution is a lump-sum benefit. The sum of the balance of credits of the participant's employee and employer accounts is payable to the named beneficiary. If no valid beneficiary is designated, the lump-sum payment will be paid to the participant's estate.

***Surviving Spouse***

If a participant's surviving spouse is the only beneficiary to whom a death benefit is payable, the spouse may elect to receive the benefit in the form of an annuity, provided the sum of the balance of credits to the participant's employee and employer accounts equals or exceeds \$3,500. The surviving spouse may elect either a single life annuity without a cash refund feature or a period-certain annuity.

***Death of Participant Receiving Annuity***

Benefit payable in accordance with form of annuity elected by participant.

**Termination Benefit (Refunds)**

Upon termination of all creditable service subject to coverage by the program, for any reason other than death, disability or retirement, a participant may apply for a lump-sum termination benefit. The benefit amount is equal to the sum of the employee and employer accounts, plus compounded interest as of the date the benefit is paid.

***Five-Year Rule***

A participant may not apply for a termination benefit if less than five years has elapsed following the date the most recent termination benefit was distributed to the participant.

***Waiting Period***

The termination benefit is payable after one year has elapsed following the date of termination of employment. The application for the termination benefit will be automatically canceled if the participant performs creditable service within one year following the date of termination of employment.

**Changes in Program Provisions**

There have been no program amendments that would affect an actuarial valuation of CalSTRS since the last annual financial report was issued. All program provisions were considered in the completion of the June 30, 1998 actuarial valuation.

# Defined Benefit Program

Note: Supplemental statistical tables are available upon request to the Public Service Office at 1-800-228-5453.

**Table 1 | Schedule of revenues by source (in millions)**

Fiscal Year Ending June 30	Member Contributions	Employer Contributions	Percentage of Annual Covered Payroll	Investment Income	State of California (1)	Other Income	Total (2)
1999(3)	\$1,424.1	\$1,475.7	8.25	\$11,797.8	\$350.1	\$1.3 (4)	\$15,049.0
1998	1,302.8	1,371.4	8.25	12,949.5	1,004.6	0.7	16,629.0
1997	1,195.8	1,250.0	8.25	11,018.8	872.4	0.7	14,337.7
1996	1,089.0	1,140.8	8.25	7,463.7	754.8	0.1	10,448.4
1995	1,027.4	1,070.1	8.25	8,066.9	733.1	1.8	10,899.3
1994	1,003.1	1,068.4	8.25	3,125.5	758.6	14.5	5,970.1
1993	971.1	1,028.1	8.25	3,105.8	751.3	6.7	5,863.0

(1) Includes Elder Full Funding, SBMA contributions and school lands revenue.

(2) GASB 25, which required reporting of investments at fair value, was adopted in 1995. Investments are stated at cost for 1994 and prior years.

(3) Includes member/participant contributions and investment income received during 1/1/99 to 6/30/99 for Cash Balance Benefit Program.

(4) Equity transfer from CB Plan recorded at fund closure \$1,285,093.

**Table 2 | Expenses by type**

Fiscal Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Misc. (1)	Total
1999(2)	\$3,343.1	\$45.0	\$74.6	\$0.0	\$3,462.7
1998	3,103.2	36.3	69.0	0.0	3,208.5
1997	2,912.3	37.1	65.9	0.0	3,015.3
1996	2,749.7	36.2	69.2	0.0	2,855.1
1995	2,567.7	34.0	66.8	0.0	2,668.5
1994	2,389.9	31.0	61.4	0.9	2,483.2
1993	2,180.6	31.0	68.3	0.9	2,280.8

(1) Payments made by the system to a district maintaining a local retirement system equal to the pension (public) portion of allowance paid the local system during the previous year.

(2) Includes administrative expenses paid from 1/1/99 to 6/30/99 for Cash Balance Benefit Program.

**Table 3 | Schedule of benefit expenses by type**

Fiscal Year Ending June 30, 1998	Age & Service Benefits			Disability Benefits		Refunds		Total
	Retired Members	Survivors	Death in Service Benefits (1)	Retired Members	Survivors (2)	Death	Separation	
1999(3)	\$3,180.5	\$31.8	\$32.8	\$73.2	\$1.2	\$23.6	\$74.6	\$3,417.7
1998	2,953.7	30.3	29.6	66.5	1.0	22.1	69.0	3,172.2
1997	2,770.0	28.9	32.2	59.4	0.8	21.3	65.9	2,978.5
1996	2,616.4	26.2	31.4	53.0	0.6	22.1	69.2	2,818.9
1995	2,449.6	24.1	27.0	45.9	0.4	20.4	66.6	2,634.0
1994	2,283.9	23.0	24.2	39.7	0.2	19.8	61.4	2,452.2
1993	2,096.2	21.3	13.0	34.1	0.1	16.8	68.3	2,249.8
1992	1,732.2	19.8	13.5	30.7	0.0	13.5	56.6	1,866.3
1991	1,537.8	18.1	10.7	29.4	0.0	11.8	51.7	1,659.5
1990	1,412.0	17.6	11.8	27.7	0.0	13.6	50.4	1,533.1
1989	1,292.3	16.5	10.2	24.7	0.0	11.3	45.5	1,400.5
1988	1,168.4	16.2	8.8	24.2	0.0	10.6	45.0	1,273.2

(1) Lump-sum death benefit payment was increased from \$2,000 to \$5,000 and implemented in the 1993–94 fiscal year

(2) Amounts paid for disability benefits to survivors was included with amounts paid to members retired for disability until October 16, 1992, when CalSTRS' law changed disability qualifications and how benefits were paid. After that date, new benefits to survivors were recorded and tracked as a separate benefit type.

(3) Includes refund payments distributed from 1/1/99 to 6/30/99 for Cash Balance Benefit Program

**Table 4 | Members retired for service during fiscal year 1998–99 classified by unmodified allowance**

Monthly Unmodified Allowance	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Allowance Payable
Less than \$500	409	61.1	7.534	\$2,417	\$295
500–1000	617	59.9	12.553	3,525	731
1000–1500	647	60.1	17.274	4,052	1,203
1500–2000	737	59.6	22.656	4,315	1,679
2000–2500	819	60.1	26.373	4,514	2,150
2500–3000	864	60.3	29.645	4,725	2,633
3000–3500	950	61.2	32.327	4,797	3,077
3500–4000	809	62.1	34.250	4,891	3,552
4000–4500	614	63.0	36.116	5,083	3,940
4500–5000	351	63.5	37.974	5,332	4,377
More than \$5000	431	64.8	40.134	6,174	5,283
<b>Totals</b>	<b>7,248</b>	<b>61.2*</b>	<b>27.198*</b>	<b>\$4,541*</b>	<b>\$2,575*</b>

(Does not include formerly disabled members)

\*Overall averages

**Table 5** Members retired for service during fiscal year 1998–99 classified by age and joint and survivor annuity option elected  
(Does not include formerly disabled members)

	Age	Total	Unmod.	Options					
				2	3	4	5	6	7
Under	55	41	21	5	0	0	0	6	9
	55	321	185	18	7	0	1	50	60
	56	631	366	35	19	1	5	111	94
	57	425	238	24	13	3	2	81	64
	58	494	261	27	5	3	6	96	96
	59	533	265	29	18	8	6	121	86
	60	844	403	58	23	7	8	197	148
	61	841	420	55	22	9	6	180	149
	62	610	289	35	23	13	4	140	106
	63	481	225	26	18	7	2	117	86
	64	414	205	24	12	5	1	93	74
	65	374	191	34	9	8	1	77	54
	66	312	162	32	9	1	4	62	42
	67	227	127	16	7	1	0	46	30
	68	174	97	26	5	3	1	24	18
	69	128	75	13	5	0	1	21	13
	70	101	55	13	3	0	1	20	9
	71	93	62	4	3	1	0	13	10
	72	59	42	2	2	1	1	8	3
	73	44	28	1	3	0	0	8	4
	74	22	16	2	0	0	0	3	1
	75	31	15	3	4	0	0	7	2
Over	75	48	33	5	2	1	0	3	4
Age Unknown		0	0	0	0	0	0	0	0
<b>Total</b>		<b>7,248</b>	<b>3,781</b>	<b>487</b>	<b>212</b>	<b>72</b>	<b>50</b>	<b>1,484</b>	<b>1,162</b>

**Table 6** Characteristics of members going on disability Note—Some data are updated in the following year to include late approvals of disability applications

Fiscal Year Ending June 30	Count	Disability Allowance Payable	Service Credit	Final Compensation	Age at Disability
1990	236	\$1,664	17,215	\$3,142	49.9
1991	306	1,725	17,559	3,178	50.1
1992	298	1,856	17,759	3,428	49.9
1993	388	1,809	16,014	3,300	50.3
1994	468	1,824	15,977	3,676	51.4
1995	469	1,851	15,914	3,656	51.3
1996	496	1,859	15,952	3,641	51.9
1997	464	1,923	15,660	3,883	52.0
1998	451	1,989	14,446	3,906	52.3
1999	414	2,114	15,630	4,027	52.2

**Table 7 | Number of benefit recipients by type of benefit**

Fiscal Year Ending June 30	Service Retirement	Disability Benefits	Benefits for Survivors	Total Benefit Recipients
1990	110,465	4,830	7,941	123,236
1991	115,010	4,872	8,292	128,174
1992	118,963	4,914	8,634	132,511
1993	122,762	4,879	9,346	136,987
1994	126,476	5,126	10,271	141,873
1995	130,576	5,331	10,898	146,805
1996	133,764	5,540	11,501	150,805
1997	135,809	5,676	12,154	153,639
1998	139,193	5,758	12,796	157,747
1999	142,309	5,822	13,326	161,457

**Table 8 | Members retired for service characteristics by year of retirement**

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Monthly Benefit	Average Final Compensation	Average Age At Retirement
7/1/89 thru 6/30/90	6,428	26.2	\$1,839	\$3,513	60.9
7/1/90 thru 6/30/91	7,712	26.9	1,813	3,748	61.3
7/1/91 thru 6/30/92	6,913	26.6	2,050	3,862	61.4
7/1/92 thru 6/30/93	7,780	26.8	2,153	3,960	61.3
7/1/93 thru 6/30/94	7,152	27.0	2,187	4,043	60.9
7/1/94 thru 6/30/95					
0 - 5	97	2.1	\$ 267	—	—
5 - 10	534	7.2	356	—	—
10 - 15	433	12.4	687	—	—
15 - 20	617	17.6	1,116	—	—
20 - 25	899	22.6	1,566	—	—
25 - 30	1,423	27.6	2,044	—	—
30 - 35	1,719	32.4	2,461	—	—
35 - 40	1,185	37.0	3,006	—	—
40 & over	233	42.7	3,669	—	—
<b>Total</b>	<b>7,140</b>	<b>26.5</b>	<b>\$1,984</b>	<b>\$4,030</b>	<b>61.1</b>
7/1/95 thru 6/30/96					
0 - 5	68	2.5	\$ 241	—	—
5 - 10	474	7.3	395	—	—
10 - 15	514	12.4	763	—	—
15 - 20	639	17.6	1,222	—	—
20 - 25	883	22.6	1,663	—	—
25 - 30	1,298	27.7	2,171	—	—
30 - 35	1,660	32.4	2,662	—	—
35 - 40	1,213	37.1	3,393	—	—
40 & over	236	42.1	4,107	—	—
<b>Total</b>	<b>6,985</b>	<b>26.6</b>	<b>\$2,171</b>	<b>\$4,110</b>	<b>61.3</b>

(Does not include formerly disabled members)

**Table 8** | continued: Members retired for service characteristics by year of retirement

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Monthly Benefit	Average Final Compensation	Average Age At Retirement
7/1/96 thru 6/30/97					
0 - 5	50	2.4	\$ 292	—	—
5 - 10	419	7.3	398	—	—
10 - 15	480	12.4	769	—	—
15 - 20	526	17.6	1,245	—	—
20 - 25	790	22.6	1,724	—	—
25 - 30	1,066	27.6	2,251	—	—
30 - 35	1,447	32.5	2,722	—	—
35 - 40	1,026	37.2	3,443	—	—
40 & over	207	42.0	4,080	—	—
<b>Total</b>	<b>6,011</b>	<b>26.6</b>	<b>\$2,210</b>	<b>\$4,206</b>	<b>60.9</b>
7/1/97 thru 6/30/98					
0 - 5	73	2.5	\$ 298	—	—
5 - 10	530	7.4	414	—	—
10 - 15	572	12.6	834	—	—
15 - 20	581	17.7	1,280	—	—
20 - 25	884	22.6	1,811	—	—
25 - 30	1,356	27.7	2,331	—	—
30 - 35	1,799	32.5	2,817	—	—
35 - 40	1,259	37.2	3,548	—	—
40 & over	278	42.0	4,251	—	—
<b>Total</b>	<b>7,332</b>	<b>26.8</b>	<b>\$2,310</b>	<b>\$4,345</b>	<b>60.8</b>
7/1/98 thru 6/30/99					
0 - 5	72	2.8	\$ 355	—	—
5 - 10	459	7.6	491	—	—
10 - 15	611	12.6	959	—	—
15 - 20	644	17.5	1,394	—	—
20 - 25	806	22.6	1,999	—	—
25 - 30	1,081	27.6	2,574	—	—
30 - 35	1,852	32.5	3,237	—	—
35 - 40	1,312	37.2	4,093	—	—
40 & over	411	42.6	5,147	—	—
<b>Total</b>	<b>7,248</b>	<b>27.2</b>	<b>\$2,706</b>	<b>\$4,541</b>	<b>61.2</b>

(Does not include formerly disabled members)

# Defined Benefit Program

## Schedule of Participating Employers

### Alameda County

#### **K-12**

County Superintendent  
Alameda Unified  
Albany Unified  
Berkeley Unified  
Castro Valley Unified  
Dublin Unified  
Emery Unified  
Fremont Unified  
Hayward Unified  
Livermore Valley  
Joint Unified  
Mountain House  
Elementary  
New Haven Unified  
Newark Unified  
Oakland Unified  
Piedmont City Unified  
Pleasanton Unified  
San Leandro Unified  
San Lorenzo Unified  
Sunol Glen Unified

#### **Community Colleges**

Chabot Las Positas  
Fremont Newark  
Peralta Community

### Alpine County

#### **K-12**

County Superintendent  
Alpine County Unified

### Amador County

#### **K-12**

Amador County Unified

### Butte County

#### **K-12**

County Superintendent  
Bangor Union Elementary  
Biggs Unified  
Chico Unified  
Durham Unified  
Feather Falls Union  
Golden Feather Union  
Gridley Union  
Gridley Union High  
Manzanita Elementary  
Oroville City Elementary  
Oroville Union High  
Palermo Union  
Paradise Unified  
Pioneer Union Elementary  
Thermalito Union

#### **Community Colleges**

Butte

### Calaveras County

#### **K-12**

County Superintendent  
Bret Harte Union High  
Calaveras Unified  
Mark Twain Union  
Elementary  
Vallecito Union Elementary

### Colusa County

#### **K-12**

County Superintendent  
Colusa Unified  
Maxwell Unified  
Pierce Joint Unified  
Williams Unified

### Contra Costa County

#### **K-12**

County Superintendent  
Acalanes Union High  
Antioch Unified  
Brentwood Union  
Byron Union Elementary  
Canyon Elementary  
John Swett Unified  
Knightsen Elementary  
Lafayette Elementary  
Liberty Union High  
Martinez Unified  
Moraga Elementary  
Mt. Diablo Unified  
Oakley Union Elementary  
Orinda Union Elementary  
Pittsburg Unified  
San Ramon Valley Unified  
Walnut Creek Elementary  
West Contra Costa Unified

#### **Community Colleges**

Contra Costa

### Del Norte County

#### **K-12**

County Superintendent  
Del Norte County Unified

### El Dorado County

#### **K-12**

County Superintendent  
Black Oak Mine Unified  
Buckeye Union Elementary  
Camino Union Elementary  
El Dorado Union High  
Gold Oak Union  
Gold Trail Union  
Indian Diggings Elementary  
Lake Tahoe Unified  
Latrobe

### Mother Lode Union

Elementary  
Pioneer Union Elementary  
Placerville Union  
Elementary  
Pollock Pines Elementary  
Rescue Union Elementary  
Silver Fork Elementary

#### **Community Colleges**

Lake Tahoe

### Fresno County

#### **K-12**

County Superintendent  
Alvina Elementary  
American Union  
Elementary  
Big Creek Elementary  
Burrel Union Elementary  
Caruthers Union  
Elementary  
Caruthers Union High  
Central Unified  
Clay Joint Elementary  
Clovis Unified  
Coalinga/Huron Joint  
Unified  
Firebaugh-Las Deltas  
Unified  
Fowler Unified  
Fresno Unified  
Golden Plains Unified  
Kerman Unified  
Kings Canyon Joint Unified  
Kingsburg Joint Union  
Elementary/Kingsburg  
Elementary Community  
Charter  
Laton Joint Unified  
Mendota Unified  
Monroe Elementary  
Orange Center  
Pacific Union Elementary  
Parlier Unified  
Pine Ridge Elementary  
Raisin City Elementary  
Riverdale Joint Unified  
Sanger Unified  
Selma Unified  
Sierra Unified  
Washington Colony  
Elementary  
Washington Union High  
West Fresno Elementary  
West Park Elementary  
Westside Elementary

#### **Community Colleges**

State Center  
West Hills

### Glenn County

#### **K-12**

County Superintendent  
Capay Joint Union  
Elementary  
Hamilton Union Elementary  
Hamilton Union High  
Lake Elementary  
Orland Joint Unified  
Plaza Elementary  
Princeton Joint Unified  
Stony Creek Joint Unified  
Willows Unified

### Humboldt County

#### **K-12**

County Superintendent  
Arcata Elementary  
Big Lagoon Union  
Elementary  
Blue Lake Union  
Elementary  
Bridgeville Elementary  
Cuddeback Union  
Elementary  
Cuttan Elementary  
Eureka City Elementary  
Eureka City High  
Ferndale Unified  
Fieldbrook Elementary  
Fortuna Union Elementary  
Fortuna Union High  
Freshwater Elementary  
Garfield Elementary  
Green Point Elementary  
Hydesville Elementary  
Jacoby Creek Elementary  
Klamath-Trinity Joint  
Unified  
Kneeland Elementary  
Loleta Union Elementary  
Maple Creek Elementary  
Mattole Unified  
McKinleyville Union  
Elementary  
Northern Humboldt  
Union High  
Orick Elementary  
Pacific Union Elementary  
Peninsula Union Elementary  
Rio Dell Elementary  
Rohnerville Elementary  
Scotia Union Elementary  
South Bay Union  
Elementary  
Southern Humboldt  
Joint Unified  
Trinidad Union Elementary

#### **Community Colleges**

Redwoods

**Imperial County****K-12**

County Superintendent  
 Brawley Elementary  
 Brawley Union High  
 Calexico Unified  
 Calipatria Unified  
 Central Union High  
 El Centro Elementary  
 Heber Elementary  
 Holtville Unified  
 Imperial Unified  
 Magnolia Union Elementary  
 McCabe Union Elementary  
 Meadows Union Elementary  
 Mulberry Elementary  
 San Pasqual Valley Unified  
 Seeley Union Elementary  
 Westmorland Union  
 Elementary

**Community Colleges**

Imperial

**Inyo County****K-12**

County Superintendent  
 Big Pine Unified  
 Bishop Joint Union High  
 Bishop Union Elementary  
 Death Valley Unified  
 Lone Pine Unified  
 Owens Valley Unified  
 Round Valley Joint  
 Elementary

**Kern County****K-12**

County Superintendent  
 Arvin Union Elementary  
 Bakersfield City Elementary  
 Beardsley Elementary  
 Belridge Elementary  
 Blake Elementary  
 Buttonwillow Union  
 Elementary  
 Caliente Union Elementary  
 Delano Joint Union High  
 Delano Union Elementary  
 Di Giorgio Elementary  
 Edison Elementary  
 El Tejon Unified  
 Elk Hills Elementary  
 Fairfax Elementary  
 Fruitvale Elementary  
 General Shafter Elementary  
 Greenfield Union  
 Kern Union High  
 Kernville Union Elementary  
 Lakeside Union Elementary

Lamont Elementary  
 Linns Valley-Poso Flat Union  
 Elementary  
 Lost Hills Union  
 Elementary  
 Maple Elementary  
 Maricopa Unified  
 McFarland Unified  
 McKittrick Elementary  
 Midway Elementary  
 Mojave Unified  
 Muroc Joint Unified  
 Norris  
 Panama-Buena Vista Union  
 Pond Union Elementary  
 Richland-Lerdo Elementary  
 Rio Bravo-Greeley Union  
 Elementary  
 Rosedale Union Elementary  
 Semitropic Elementary  
 Sierra Sands Unified  
 South Fork Union  
 Southern Kern Unified  
 Standard Elementary  
 Taft City Elementary  
 Taft Union High  
 Tehachapi Unified  
 Vineland Elementary  
 Wasco Union Elementary  
 Wasco Union High

**Community Colleges**

Kern  
 Westkern

**Kings County****K-12**

County Superintendent  
 Armona Union Elementary  
 Central Union Elementary  
 Corcoran Joint Unified  
 Delta View Joint Union  
 Elementary  
 Hanford Elementary  
 Hanford Joint Union High  
 Island Union Elementary  
 Kings River-Hardwick  
 Union Elementary  
 Kit Carson Union  
 Elementary  
 Lakeside Union Elementary  
 Lemoore Union Elementary  
 Lemoore Union High  
 Pioneer Union Elementary  
 Reef-Sunset Unified

**Lake County****K-12**

County Superintendent  
 Kelseyville Unified

Konocti Unified  
 Lakeport Unified  
 Lucerne Elementary  
 Middletown Unified  
 Upper Lake Union  
 Elementary  
 Upper Lake Union High

**Lassen County****K-12**

County Superintendent  
 Big Valley Joint Unified  
 Fort Sage Unified  
 Janesville Union Elementary  
 Johnstonville Elementary  
 Lassen Union High  
 Ravendale-Termo  
 Elementary  
 Richmond Elementary  
 Shaffer Union  
 Susanville Elementary  
 Westwood Unified

**Community Colleges**

Lassen

**Los Angeles County****K-12**

Los Angeles County Schools  
 ABC Unified  
 Acton-Agua Dulce Unified  
 Alhambra City Elementary  
 Alhambra City High  
 Antelope Valley Union High  
 Arcadia Unified  
 Azusa Unified  
 Baldwin Park Unified  
 Bassett Unified  
 Bellflower Unified  
 Beverly Hills Unified  
 Bonita Unified  
 Burbank Unified  
 Castaic Union  
 Centinela Valley  
 Union High  
 Charter Oak Unified  
 Claremont Unified  
 Compton Unified  
 Covina-Valley Unified  
 Culver City Unified  
 Downey Unified  
 Duarte Unified  
 East Whittier City  
 Elementary  
 Eastside Union  
 El Monte City  
 El Monte Union High  
 El Rancho Unified  
 El Segundo Unified  
 Garvey Elementary  
 Glendale Unified

Glendora Unified  
 Gorman Elementary  
 Hacienda La Puente Unified  
 Hawthorne  
 Hermosa Beach City  
 Elementary  
 Hughes-Elizabeth Lakes  
 Union Elementary  
 Inglewood Unified  
 Keppel Union Elementary  
 La Canada Unified  
 Lancaster Elementary  
 Las Virgenes Unified  
 Lawndale Elementary  
 Lennox Elementary  
 Little Lake City Elementary  
 Long Beach Unified  
 Los Angeles Unified  
 Los Nietos Elementary  
 Lowell Joint Elementary  
 Lynwood Unified  
 Manhattan Beach Unified  
 Monrovia Unified  
 Montebello Unified  
 Mountain View Elementary  
 Newhall Elementary  
 Norwalk-La Mirada Unified  
 Palmdale Elementary  
 Palos Verdes Peninsula  
 Unified  
 Paramount Unified  
 Pasadena Unified  
 Pomona Unified  
 Redondo Beach Unified  
 Rosemead Elementary  
 Rowland Unified  
 San Gabriel Unified  
 San Marino Unified  
 Santa Monica-Malibu  
 Unified  
 Saugus Union Elementary  
 South Pasadena Unified  
 South Whittier Elementary  
 Sulphur Springs Union  
 Elementary  
 Temple City Unified  
 Torrance Unified  
 Valle Lindo Elementary  
 Walnut Valley Unified  
 West Covina Unified  
 Westside Union Elementary  
 Whittier City  
 Whittier Union High  
 William S. Hart Union High  
 Wilsona  
 Wiseburn Elementary

**Community Colleges**

Antelope Valley  
 Cerritos  
 Citrus  
 Compton

El Camino  
Glendale  
Long Beach  
Los Angeles  
Mt San Antonio  
Pasadena Area  
Rio Hondo  
Santa Clarita  
Santa Monica

### **Madera County**

#### ***K-12***

County Superintendent  
Alview-Dairyland Union  
Elementary  
Bass Lake Joint Union  
Elementary  
Chawanakee Joint  
Chowchilla Elementary  
Chowchilla Union High  
Coarsegold Union  
Madera Unified  
Minarets Joint Union High  
Raymond-Knowles Union  
Elementary  
Yosemite Union High

### **Marin County**

#### ***K-12***

County Superintendent  
Bolin-Stinson Union  
Elementary  
Dixie Elementary  
Kentfield Elementary  
Laguna Joint Elementary  
Lagunitas Elementary  
Larkspur Elementary  
Lincoln Elementary  
Mill Valley Elementary  
Nicasio Elementary  
Novato Unified  
Reed Union Elementary  
Ross Elementary  
Ross Valley  
San Rafael City Elementary  
San Rafael City High  
Sausalito Elementary  
Shoreline Unified  
Tamalpais Union High  
Union Joint Elementary

#### ***Community Colleges***

College of Marin

### **Mariposa County**

#### ***K-12***

County Unified

### **Mendocino County**

#### ***K-12***

County Superintendent  
Anderson Valley Unified  
Arena Union Elementary  
Fort Bragg Unified  
Laytonville Unified  
Leggett Valley Unified  
Manchester Union  
Elementary  
Mendocino Unified  
Point Arena Joint Union  
High  
Potter Valley Community  
Unified  
Round Valley Unified  
Ukiah Unified  
Willits Unified

#### ***Community Colleges***

Mendocino Lake

### **Merced County**

#### ***K-12***

County Superintendent  
Atwater Elementary  
Ballico-Cressey Elementary  
Delhi Unified  
Dos Palos-Oro Loma Joint  
Unified  
El Nido Elementary  
Gustine Unified  
Hilmar Unified  
Le Grand Union Elementary  
Le Grand Union High  
Livingston Union  
Los Banos Unified  
McSwain Union Elementary  
Merced City Elementary  
Merced River Union  
Elementary  
Merced Union High  
Plainsburg Elementary  
Planada Elementary  
Snelling-Merced Falls  
Union Elementary  
Weaver Union Elementary  
Winton Elementary

#### ***Community Colleges***

Merced

### **Modoc County**

#### ***K-12***

County Superintendent  
Modoc Joint Unified  
Surprise Valley Joint Unified  
Tulelake Basin Joint  
Unified

### **Mono County**

#### ***K-12***

Mono County Office of  
Education  
Eastern Sierra Unified  
Mammoth Unified

### **Monterey County**

#### ***K-12***

County Superintendent  
Alisal Union Elementary  
Bradley Union Elementary  
Carmel Unified  
Chualar Union Elementary  
Gonzales Unified  
Graves Elementary  
Greenfield Union  
Elementary  
King City Joint Union High  
King City Union Elementary  
Lagunita Elementary  
Mission Union Elementary  
Monterey Peninsula Unified  
North Monterey County  
Unified  
Pacific Grove Unified  
Pacific Unified  
Salinas City Elementary  
Salinas Union High  
San Antonio Union  
Elementary  
San Ardo Union  
Elementary  
San Lucas Union  
Elementary  
Santa Rita Union  
Elementary  
Soledad Unified  
Spreckels Union  
Washington Union  
Elementary

#### ***Community Colleges***

Hartnell  
Monterey Peninsula

### **Napa County**

#### ***K-12***

County Superintendent  
Calistoga Joint Unified  
Howell Mountain  
Elementary  
Napa Valley Unified  
Pope Valley Union  
St. Helena Unified

#### ***Community Colleges***

Napa Valley

### **Nevada County**

#### ***K-12***

County Superintendent  
Chicago Park Elementary  
Clear Creek Elementary  
Grass Valley Elementary  
Nevada City  
Nevada Joint Union High  
Pleasant Ridge Union  
Elementary  
Pleasant Valley Elementary  
Ready Springs Union  
Twin Ridges Elementary  
Union Hill Elementary

### **Orange County**

#### ***K-12***

County Superintendent  
Anaheim City  
Anaheim Union High  
Brea-Olinda Unified  
Buena Park Elementary  
Capistrano Unified  
Centralia Elementary  
Cypress Elementary  
Fountain Valley Elementary  
Fullerton Elementary  
Fullerton Joint Union High  
Garden Grove Unified  
Huntington Beach City  
Elementary  
Huntington Beach  
Union High  
Irvine Unified  
La Habra City Elementary  
Laguna Beach Unified  
Los Alamitos Unified  
Magnolia Elementary  
Newport-Mesa Unified  
Ocean View Elementary  
Orange Unified  
Placentia-Yorba Linda  
Unified  
Saddleback Valley Unified  
Santa Ana Unified  
Savanna Elementary  
Tustin Unified  
Westminster Elementary

#### ***Community Colleges***

North Orange County  
Rancho Santiago  
South Orange

### **Placer County**

#### ***K-12***

County Superintendent  
Ackerman Elementary  
Alta-Dutch Flat Union  
Elementary

Auburn Union Elementary  
 Colfax Elementary  
 Dry Creek Joint Elementary  
 Emigrant Gap Elementary  
 Eureka Union Elementary  
 Foresthill Union Elementary  
 Loomis Union Elementary  
 Newcastle Elementary  
 Ophir Elementary  
 Penryn Elementary  
 Placer Hills Union  
 Elementary  
 Placer Union High  
 Rocklin Unified  
 Roseville City Elementary  
 Roseville Joint Union High  
 Tahoe-Truckee Unified  
 Western Placer Unified

**Community Colleges**  
 Sierra Joint

**Plumas County**

**K-12**  
 County Superintendent  
 Plumas Unified

**Riverside County**

**K-12**  
 County Superintendent  
 Alford Unified  
 Banning Unified  
 Beaumont Unified  
 Coachella Valley Unified  
 Corona-Norco Unified  
 Desert Center Unified  
 Desert Sands Unified  
 Hemet Unified  
 Jurupa Unified  
 Lake Elsinore Unified  
 Menifee Union Elementary  
 Moreno Valley Unified  
 Murrieta Valley Unified  
 Nuview Union  
 Palm Springs Unified  
 Palo Verde Unified  
 Perris Elementary  
 Perris Union High  
 Riverside Unified  
 Romoland Elementary  
 San Jacinto Unified  
 Temecula Valley Unified  
 Val Verde Unified

**Community Colleges**  
 Desert  
 Mt San Jacinto  
 Palo Verde  
 Riverside

**Sacramento County**  
**K-12**

County Superintendent  
 Arcohe Union Elementary  
 Center Unified  
 Del Paso Heights  
 Elementary  
 Elk Grove Unified  
 Elverta Joint Elementary  
 Folsom-Cordova Unified  
 Galt Joint Union  
 Elementary  
 Galt Joint Union High  
 Grant Joint Union High  
 Natomas Unified  
 North Sacramento  
 Elementary  
 Rio Linda Union  
 Elementary  
 River Delta Unified  
 Robla Elementary  
 Sacramento City Unified  
 San Juan Unified

**Community Colleges**  
 Los Rios

**San Benito County**  
**K-12**

County Superintendent  
 Aromas/San Juan Unified  
 Bitterwater-Tully Union  
 Elementary  
 Cienega Union Elementary  
 Hollister Elementary  
 Jefferson Elementary  
 North County Joint Union  
 Elementary  
 Panoche Elementary  
 San Benito High  
 Southside Elementary  
 Tres Pinos Union  
 Elementary  
 Willow Grove Union  
 Elementary

**San Bernardino**  
**County**

**K-12**  
 County Office of San  
 Bernardino  
 Adelanto Elementary  
 Alta Loma Elementary  
 Apple Valley Unified  
 Baker Valley Unified  
 Barstow Unified  
 Bear Valley Unified  
 Central Elementary  
 Chaffey Joint Union High  
 Chino Valley Unified

Colton Joint Unified  
 Cucamonga Elementary  
 Etiwanda Elementary  
 Fontana Unified  
 Helendale  
 Hesperia Unified  
 Lucerne Valley Unified  
 Morongo Unified  
 Mountain View  
 Elementary  
 Mt. Baldy Joint Elementary  
 Needles Unified  
 Ontario-Montclair  
 Oro Grande Elementary  
 Redlands Unified  
 Rialto Unified  
 Rim Of The World Unified  
 San Bernardino City  
 Unified  
 Silver Valley Unified  
 Snowline Joint Unified  
 Trona Joint Unified  
 Upland Unified  
 Victor Elementary  
 Victor Valley Union High  
 Yucaipa-Calimesa Joint  
 Unified

**Community Colleges**  
 Barstow  
 Chaffey  
 San Bernardino  
 Victor Valley

**San Diego County**  
**K-12**

County Superintendent  
 Alpine Union  
 Bonsall Union Elementary  
 Borrego Springs Unified  
 Cajon Valley Union  
 Elementary  
 Cardiff Elementary  
 Carlsbad Unified  
 Chula Vista Elementary  
 Coronado Unified  
 Dehesa  
 Del Mar Union  
 Encinitas Union Elementary  
 Escondido Union  
 Elementary  
 Escondido Union High  
 Fallbrook Union Elementary  
 Fallbrook Union High  
 Grossmont Union High  
 Jamul-Dulzura Union  
 Elementary  
 Julian Union Elementary  
 Julian Union High  
 La Mesa-Spring Valley  
 Lakeside Union Elementary

Lemon Grove Elementary  
 Mountain Empire Unified  
 National  
 Oceanside Unified  
 Pauma Elementary  
 Poway Unified  
 Ramona Unified  
 Rancho Santa Fe  
 Elementary  
 San Diego City Unified  
 San Dieguito Union High  
 San Marcos Unified  
 San Pasqual Union  
 San Ysidro Elementary  
 Santee Elementary  
 Solana Beach Elementary  
 South Bay Union  
 Elementary  
 Spencer Valley Elementary  
 Sweetwater Union High  
 Vallecitos  
 Valley Center Union  
 Elementary  
 Vista Unified  
 Warner Unified

**Community Colleges**  
 Grossmont Cuyamaca  
 Miracosta  
 Palomar  
 San Diego  
 Southwestern

**San Francisco County**  
**K-12**

San Francisco City/  
 County Superintendent  
 San Francisco Unified

**Community Colleges**  
 San Francisco

**San Joaquin County**  
**K-12**

County Superintendent  
 Banta Elementary  
 Delta Island Union  
 Elementary  
 Escalon Unified  
 Holt Union Elementary  
 Jefferson Elementary  
 Lammersville Elementary  
 Lincoln Unified  
 Linden Unified  
 Lodi Unified  
 Manteca Unified  
 New Hope Elementary  
 New Jerusalem Elementary  
 Oak View Union  
 Elementary  
 Ripon Unified  
 Stockton Unified

Tracy Joint Unified

**Community Colleges**  
San Joaquin Delta

### San Luis Obispo County

**K-12**  
County Superintendent  
Atascadero Unified  
Cayucos Elementary  
Coast Unified  
Lucia Mar Unified  
Paso Robles Joint Unified  
Pleasant Valley Joint Union  
Elementary  
San Luis Coastal Unified  
San Miguel Joint Union  
Elementary  
Shandon Joint Unified  
Templeton Unified

**Community Colleges**  
San Luis Obispo County

### San Mateo County

**K-12**  
County Superintendent  
Bayshore Elementary  
Belmont Redwood Shores  
Elementary  
Brisbane Elementary  
Burlingame Elementary  
Cabrillo Unified  
Hillsborough City  
Jefferson Elementary  
Jefferson Union High  
La Honda-Pescadero  
Unified  
Laguna Salada Union  
Elementary  
Las Lomas Elementary  
Menlo Park City  
Elementary  
Millbrae Elementary  
Portola Valley Elementary  
Ravenswood City  
Elementary  
Redwood City Elementary  
San Bruno Park Elementary  
San Carlos Elementary  
San Mateo-Foster City  
San Mateo Union High  
Sequoia Union High  
South San Francisco Unified  
Woodside Elementary

**Community Colleges**  
San Mateo

### Santa Barbara County

**K-12**  
County Superintendent  
Ballard  
Blochman Union  
Elementary  
Buellton Union Elementary  
Carpinteria Unified  
Casmalia Elementary  
Cold Spring Elementary  
College Elementary  
Cuyama Joint Unified  
Goleta Union Elementary  
Guadalupe Union  
Elementary  
Hope Elementary  
Lompoc Unified  
Los Alamos Elementary  
Los Olivos Elementary  
Montecito Union  
Elementary  
Orcutt Union Elementary  
Santa Barbara Elementary  
Santa Barbara High  
Santa Maria-Bonita  
Santa Maria Joint  
Union High  
Santa Ynez Valley  
Union High  
Solvang Elementary  
Vista Del Mar Union  
Elementary

**Community Colleges**  
Allan Hancock Joint  
Santa Barbara

### Santa Clara County

**K-12**  
County Superintendent  
Alum Rock Union  
Elementary  
Berryessa Union Elementary  
Cambrian Elementary  
Campbell Union  
Elementary  
Campbell Union High  
Cupertino Union  
East Side Union High  
Evergreen Elementary  
Franklin-Mckinley  
Elementary  
Fremont Union High  
Gilroy Unified  
Lakeside Joint  
Loma Prieta Joint Union  
Elementary  
Los Altos Elementary  
Los Gatos Union  
Elementary

Los Gatos-Saratoga Joint  
Union High  
Luther Burbank  
Milpitas Unified  
Montebello Elementary  
Moreland Elementary  
Morgan Hill Unified  
Mountain View Elementary  
Mountain View-Los Altos  
Union High  
Mt. Pleasant Elementary  
Oak Grove Elementary  
Orchard  
Palo Alto Unified  
San Jose Unified  
Santa Clara Unified  
Saratoga Union Elementary  
Sunnyvale Elementary  
Union Elementary  
Whisman Elementary

**Community Colleges**  
Foothill Deanza  
Gavilan Joint  
San Jose Evergreen  
West Valley Mission

### Santa Cruz County

**K-12**  
County Superintendent  
Bonny Doon Union  
Elementary  
Happy Valley Elementary  
Live Oak Elementary  
Mountain Elementary  
Pacific Elementary  
Pajaro Valley Unified  
San Lorenzo Valley Unified  
Santa Cruz City  
Elementary  
Santa Cruz City High  
Scotts Valley Unified  
Soquel Union Elementary

**Community Colleges**  
Cabrillo

### Shasta County

**K-12**  
County Superintendent  
Anderson Union High  
Bella Vista Elementary  
Black Butte Union  
Elementary  
Cascade Union Elementary  
Castle Rock Union  
Elementary  
Columbia Elementary  
Cottonwood Union  
Elementary  
Enterprise Elementary

Fall River Joint Unified  
French-Gulch Whiskeytown  
Elementary  
Gateway Unified  
Grant Elementary  
Happy Valley Union  
Elementary  
Igo, Ono, Platina Union  
Elementary  
Indian Springs Elementary  
Junction Elementary  
Millville Elementary  
Mountain Union  
Elementary  
North Cow Creek  
Elementary  
Oak Run Elementary  
Pacheco Union Elementary  
Redding Elementary  
Shasta Union Elementary  
Shasta Union High  
Whitmore Union  
Elementary

**Community Colleges**  
Shasta-Tehema-Trinity

### Sierra County

**K-12**  
County Superintendent  
Sierra-Plumas Joint Unified

**Community Colleges**  
Sierra

### Siskiyou County

**K-12**  
County Superintendent  
Big Springs Union  
Elementary  
Bogus Elementary  
Butte Valley Unified  
Butteville Union  
Elementary  
Delphic Elementary  
Dunsmuir Elementary  
Dunsmuir Joint Union High  
Etna Union Elementary  
Etna Union High  
Forks of Salmon  
Elementary  
Fort Jones Union  
Elementary  
Gazelle Union Elementary  
Grenada Elementary  
Happy Camp Union  
Elementary  
Hornbrook Elementary  
Junction Elementary

Klamath River Union  
Elementary  
Little Shasta Elementary  
McCloud Union  
Elementary  
Montague Elementary  
Mt Shasta Union  
Quartz Valley Elementary  
Sawyers Bar Elementary  
Seiad Elementary  
Siskiyou Union High  
Weed Union Elementary  
Willow Creek Elementary  
Yreka Union Elementary  
Yreka Union High

**Community Colleges**  
Siskiyou Joint

**Solano County**

**K-12**  
County Superintendent  
Benicia Unified  
Dixon Unified  
Fairfield-Suisun Unified  
Travis Unified  
Vacaville Unified  
Vallejo City Unified

**Community Colleges**  
Solano County

**Sonoma County**

**K-12**  
County Superintendent  
Alexander Valley Union  
Elementary  
Bellevue Union Elementary  
Bennett Valley Union  
Elementary  
Cinnabar Elementary  
Cloverdale Unified  
Cotati-Rohnert Park  
Unified  
Dunham  
Forestville Union  
Elementary  
Fort Ross Elementary  
Geyserville Unified  
Gravenstein Union  
Elementary  
Guerneville Elementary  
Harmony Union  
Elementary  
Healdsburg Unified  
Horicon Elementary  
Kashia Elementary  
Kenwood Elementary  
Liberty Elementary  
Mark West Union

Monte Rio Union  
Elementary  
Montgomery Elementary  
Oak Grove Union  
Elementary  
Old Adobe Union  
Elementary  
Petaluma City Elementary  
Petaluma Joint Union High  
Piner-Olivet Union  
Elementary  
Rincon Valley Union  
Elementary  
Roseland Elementary  
Santa Rosa Elementary,  
City of  
Santa Rosa High, City of  
Sebastopol Union  
Elementary  
Sonoma Valley Unified  
Twin Hills Union  
Elementary  
Two Rock Union  
Elementary  
Waugh Elementary  
West Side Union  
Elementary  
West Sonoma County  
Union High  
Wilmar Union Elementary  
Windsor Unified  
Wright Elementary

**Community Colleges**  
Sonoma County Junior  
College

**Stanislaus County**

**K-12**  
County Superintendent  
Ceres Unified  
Chatom Union Elementary  
Denair Unified  
Empire Union  
Gratton Elementary  
Hart-Ransom Union  
Elementary  
Hickman Elementary  
Hughson Union Elementary  
Hughson Union High  
Keyes Union Elementary  
Knights Ferry Elementary  
La Grange Elementary  
Modesto City Elementary  
Modesto City High  
Newman-Crows Landing  
Unified  
Oakdale Joint Union High  
Oakdale Union Elementary  
Paradise Elementary  
Patterson Joint Unified

Riverbank Elementary  
Roberts Ferry Union  
Elementary  
Salida Union  
Shiloh Elementary  
Stanislaus Union  
Elementary  
Sylvan Union Elementary  
Turlock Joint Elementary  
Turlock Joint Union High  
Valley Home Joint  
Elementary  
Waterford Elementary

**Community Colleges**  
Yosemite

**Sutter County**

**K-12**  
County Superintendent  
Brittan Elementary  
Browns Elementary  
East Nicolaus Joint Union  
High  
Franklin Elementary  
Live Oak Unified  
Marcum-Illinois Union  
Meridian Elementary  
Nuestro Elementary  
Pleasant Grove Joint Union  
Elementary  
Sutter Union High  
Winship Elementary  
Yuba City Unified

**Tehama County**

**K-12**  
County Superintendent  
Antelope Elementary  
Bend Elementary  
Corning Union Elementary  
Corning Union High  
Elkins Elementary  
Evergreen Union  
Elementary  
Flournoy Union Elementary  
Gerber Union Elementary  
Kirkwood Elementary  
Lassen View Union  
Elementary  
Los Molinos Unified  
Manton Joint Union  
Elementary  
Mineral Elementary  
Plum Valley Elementary  
Red Bluff Joint Union High  
Red Bluff Union  
Elementary  
Reeds Creek Elementary  
Richfield Elementary

**Trinity County**

**K-12**  
County Superintendent  
Burnt Ranch Elementary  
Coffee Creek Elementary  
Cox Bar Elementary  
Douglas City Elementary  
Junction City Elementary  
Lewiston Elementary  
Mountain Valley Unified  
Southern Trinity Joint  
Unified  
Trinity Center Elementary  
Trinity Union High  
Weaverville Elementary

**Tulare County**

**K-12**  
County Superintendent  
Allensworth Elementary  
Alpaugh Unified  
Alta Vista Elementary  
Buena Vista Elementary  
Burton  
Citrus South Tule  
Elementary  
Columbine Elementary  
Cutler-Orosi Unified  
Dinuba Elementary  
Dinuba Joint Union High  
Ducor Union Elementary  
Earlimart Elementary  
Exeter Union Elementary  
Exeter Union High  
Farmersville Unified  
Hope Elementary  
Hot Springs Elementary  
Kings River Union  
Elementary  
Liberty Elementary  
Lindsay Unified  
Monson-Sultana Joint  
Union Elementary  
Oak Valley Union  
Elementary  
Outside Creek Elementary  
Palo Verde Union  
Elementary  
Pixley Union Elementary  
Pleasant View Elementary  
Porterville Elementary  
Porterville Union High  
Richgrove Elementary  
Rockford Elementary  
Saucelito Elementary  
Sequoia Union Elementary  
Springville Union  
Elementary  
Stone Corral Elementary  
Strathmore Union  
Elementary

Strathmore Union High  
 Sundale Union Elementary  
 Sunnyside Union  
 Elementary  
 Terra Bella Union  
 Elementary  
 Three Rivers Union  
 Elementary  
 Tipton Elementary  
 Traver Joint Elementary  
 Tulare City Elementary  
 Tulare Joint Union High  
 Visalia Unified  
 Waukena Joint Union  
 Elementary  
 Woodlake Union  
 Elementary  
 Woodlake Union High  
 Woodville Elementary

***Community Colleges***  
 College of the Sequoias

### **Tuolumne County**

***K-12***  
 County Superintendent  
 Belleview Elementary  
 Big Oak Flat-Groveland  
 Unified  
 Chinese Camp Elementary  
 Columbia Union  
 Curtis Creek Elementary  
 Jamestown Elementary  
 Sonora  
 Sonora Union High  
 Soulsbyville Elementary  
 Summerville Elementary  
 Summerville Union High  
 Twain Harte-Long Barn  
 Union

### **Ventura County**

***K-12***  
 County Superintendent  
 Briggs Elementary  
 Conejo Valley Unified  
 Fillmore Unified  
 Hueneme Elementary  
 Mesa Union Elementary  
 Moorpark Unified  
 Mupu Elementary  
 Oak Park Unified  
 Ocean View Elementary  
 Ojai Unified  
 Oxnard Elementary  
 Oxnard Union High  
 Pleasant Valley  
 Rio Elementary  
 Santa Clara Elementary  
 Santa Paula Elementary  
 Santa Paula Union High  
 Simi Valley Unified  
 Somis Union Elementary  
 Ventura Unified

***Community Colleges***  
 Ventura County

### **Yolo County**

***K-12***  
 County Superintendent  
 Davis Joint Unified  
 Esparto Unified  
 Washington Unified  
 Winters Joint Unified  
 Woodland Joint Unified

### **Yuba County**

***K-12***  
 County Superintendent  
 Camptonville Elementary  
 Marysville Joint Unified  
 Plumas Elementary  
 Wheatland Elementary  
 Wheatland Union High

***Community Colleges***  
 Yuba

### **State Agencies**

Board of Governors,  
 California Community  
 Colleges  
 CSU Chico  
 Department of Education  
 Porterville State Hospital

# Cash Balance Benefit Program

## Participating Employers

### Alameda County

Berkeley Unified School District  
 Chabot-Las Positas Community College District  
 Fremont-Newark Community College District  
 Peralta Community College District

### Contra Costa County

Contra Costa Community College District  
 West Contra Costa Unified School District

### Los Angeles County

Antelope Valley Community College District  
 El Camino Community College District  
 Glendale Community College District

### Sacramento County

Robla Unified School District

### San Diego County

Grossmont Union High School District  
 Mira Costa Community College District

### San Francisco County

City College of San Francisco

### Santa Clara County

Foothill-DeAnza Community College District  
 San Jose/Evergreen Community College District

### Solano County

Solano County Community College District

### Sonoma County

Montgomery Elementary School District  
 Sonoma County Junior College

### Ventura County

Ventura Community College District

### Yuba County

Yuba Community College District

### Schedule of Revenues by Source (thousands)

Fiscal Year Ending June 30	Participant Contributions	Employer Contributions	Percentage of Annual Covered Payroll	Investment Income	Other Income	Total
1999(1)	\$550	\$560	8.00%	(\$183)	0	\$927.0
1998	772	772	8.09%	105	0	1,649.0
1997	74	74	8.00%	20.3	0	168.3
1996	0	0	8.00%	15.2	0	15.2

(1) 1999 figures represent period from 7/1/98 to 12/31/98 for Cash Balance Plan

### Schedule of Expenses by Type (thousands)

Fiscal Year Ending June 30	Benefit Payments	Administrative Expenses	Refunds	Misc (1)	Total
1999(2)	\$0	\$387	\$3.0	\$1,327.0	\$1,717.0
1998	0	397	0	69.0	466.0
1997	0	393	0	34.9	427.9
1996	0	128	0	19.8	147.8

(1) Interfund interest expense on loan payable to Teachers' Retirement Fund at December 31, 1998, \$41,648. Equity transfer to Teachers' Retirement Fund recorded at fund closure \$1,285,093.

(2) 1999 figures represent period from 7/1/98 to 12/31/98 for Cash Balance Plan

# Programs Administered or Overseen in the Retirement System

## CalSTRS 403(b) Program

### Schedule of Revenues by Source (thousands)

Fiscal Year Ending June 30	Participant Contributions	Interest, Dividends and Other Investment Income	Other	Total
1999	\$8,675	\$4,121	\$0	\$12,796
1998	\$5,079	\$2,911	\$0	\$7,990
1997	\$3,235	\$1,833	\$0	\$5,068
1996	\$1,168	\$978	(1) \$15,978	\$18,119

(1) Transfer from Tax Sheltered Annuity Fund

### Schedule of Expenses by Type (thousands)

Fiscal Year Ending June 30	Annuity Payments	Administrative Expenses	Refunds	Total
1999	\$237	\$205	\$1,610	\$2,052
1998	\$165	\$155	\$1,662	\$1,982
1997	\$710	\$124	\$888	\$1,722
1996	\$1,907	\$111	\$0	\$2,018

## Participating Employers

### Alameda County

**K-12**  
Alameda Unified  
Fremont Unified  
Hayward Unified  
Livermore Valley Joint  
Unified  
Oakland Unified  
Pleasanton Unified  
San Leandro Unified

### Community Colleges

Chabot Las Positas  
Fremont Newark  
Peralta

### Amador County

**K-12**  
Amador County Unified

### Butte County

**K-12**  
County Superintendent  
Bangor Union Elementary  
Chico Unified  
Manzanita Elementary  
Palermo Union  
Pioneer Union Elementary

### Community Colleges

Butte

### Calaveras County

**K-12**  
County Superintendent

### Colusa County

**K-12**  
Colusa Unified

### Contra Costa County

**K-12**  
County Superintendent  
Acalanes Union High  
Brentwood Union  
Lafayette Elementary  
Mt Diablo Unified  
Oakley Union Elementary  
Orinda Union Elementary  
Richmond Unified  
Walnut Creek Elementary  
West Contra Costa Unified

### Community Colleges

Contra Costa

### Del Norte County

**K-12**  
County Superintendent  
Del Norte County Unified

### El Dorado County

**K-12**  
El Dorado Union High  
Lake Tahoe Unified  
Rescue Union Elementary

### Community Colleges

Lake Tahoe

### Fresno County

**K-12**  
American Union Elementary  
Central Unified  
Clovis Unified  
Fresno Unified  
Kerman Unified  
Kings Canyon Joint Unified  
Mendota Unified

### Community Colleges

State Center

### Glenn County

**K-12**  
County Superintendent  
Capay Joint Union  
Elementary  
Hamilton Union Elementary  
Hamilton Union High  
Lake Elementary  
Orland Joint Union  
Elementary  
Orland Joint Union High  
Plaza Elementary  
Princeton Joint Unified  
Stony Creek Joint Unified  
Willows Unified

### Humboldt County

**K-12**  
South Bay Union  
Elementary

### Imperial County

**K-12**  
Brawley Elementary  
Calexico Unified  
El Centro Elementary  
Imperial Unified

### Inyo County

**K-12**  
Bishop Joint Union High

### Kern County

**K-12**  
County Superintendent  
Bakersfield City Elementary  
Belridge Elementary  
Edison Elementary  
El Tejon Unified  
Fruitvale Elementary  
Greenfield Union  
Kernville Union Elementary  
Lamont School District  
Mojave Unified  
Muroc Joint Unified  
Richland-Lerdo Elementary  
Rosedale Union Elementary  
Sierra Sands Unified  
Taft Union High

### Community Colleges

Westkern

### Kings County

**K-12**  
County Superintendent  
Corcoran Joint Unified  
Lemoore Union High School

**Lake County**

**K-12**  
 Konocti Unified  
 Lake County Office of  
 Education  
 Lucerne Elementary  
 Middletown Unified

**Los Angeles County**

**K-12**  
 ABC Unified  
 Acton-Agua Dulce Unified  
 Antelope Valley Union High  
 Arcadia Unified  
 Bellflower Unified  
 Belvedere Middle School  
 Burbank Unified  
 Centinela Valley Union High  
 Compton Unified  
 Covina Valley Unified  
 Culver City Unified  
 East San Gabriel ROP  
 Eastside Union  
 El Monte Union High  
 El Segundo Unified  
 Glendale Unified  
 Hacienda La Puente Unified  
 Inglewood Unified  
 La Canada Unified  
 Las Virgenes Unified  
 Long Beach Unified  
 Los Angeles Unified  
 Los Angeles County  
 Office of Education  
 Lynwood Unified  
 Manhattan Beach  
 Intermediate  
 Manhattan Elementary  
 Monrovia Unified  
 Montebello Unified  
 Mountain View Elementary  
 Newhall Elementary  
 Palos Verdes Peninsula Unified  
 Pasadena Unified  
 Rosemead Elementary  
 Rowland Unified  
 San Gabriel Elementary  
 Santa Monica-Malibu Unified  
 Santa Ynez Valley Union High  
 Soledad-Agua Dulce Union  
 Elementary  
 Torrance Unified  
 Valle Lindo Elementary  
 Walnut Valley Unified  
 Westside Union  
 Whittier Union High  
 William S Hart Union High

**Community Colleges**

Antelope Valley  
 Cerritos  
 Citrus  
 Long Beach  
 Los Angeles  
 Santa Clarita  
 Santa Monica

**Madera County**

**K-12**  
 Yosemite Union High

**Marin County**

**K-12**  
 County Superintendent  
 Lincoln Elementary  
 Novato Unified  
 San Rafael City High

**Community Colleges**

College of Marin

**Mendocino County**

**K-12**  
 Fort Bragg Unified  
 Round Valley Unified  
 Ukiah Unified  
 Willits Unified

**Community Colleges**

Mendocino-Lake

**Merced County**

**K-12**  
 County Superintendent  
 Atwater Elementary  
 Ballico Cressey Elementary  
 Delhi Elementary  
 Dos Palos-Oro Loma Joint  
 Unified  
 El Nido Elementary  
 Gustine Unified  
 Hilmar Unified  
 Le Grand Union Elementary  
 Le Grand Union High  
 Livingston Union  
 Los Banos Unified  
 McSwain Elementary  
 Merced City Elementary  
 Merced River Union  
 Elementary  
 Merced Union High  
 Plainsburg Elementary  
 Planada Elementary  
 Snelling Merced Falls Union  
 Elementary  
 Weaver Union Elementary  
 Winton Elementary

**Monterey County**

**K-12**  
 Bradley Union Elementary  
 Carmel Unified  
 Greenfield Union  
 Elementary  
 North Monterey County  
 Unified  
 Santa Rita Union  
 Elementary  
 Soledad Union Elementary

**Community Colleges**

Monterey Peninsula

**Napa County**

**K-12**  
 County Superintendent  
 Napa Valley Unified  
 Pleasant Ridge Unified  
 Pope Valley Union  
 Elementary  
 St Helena Unified

**Community Colleges**

Napa Valley College

**Orange County**

**K-12**  
 Anaheim City  
 Anaheim Union High  
 Brea-Olinda Unified  
 Capistrano Unified  
 Newport-Mesa Unified  
 Ocean View Elementary  
 Orange Unified  
 Placentia-Yorba Linda  
 Unified  
 Saddleback Valley Unified  
 Savanna School District  
 Tustin Unified

**Community Colleges**

Coast

**Placer County**

**K-12**  
 Alta-Dutch Flat Union  
 Elementary  
 Penryn Elementary  
 Placer Union High  
 Roseville City Elementary

**Community Colleges**

Sierra College

**Riverside County**

**K-12**  
 Coachella Valley Unified  
 Hemet Unified  
 Palo Verde Unified  
 San Jacinto Unified

**Community Colleges**

Desert

**Sacramento County**

**K-12**  
 County Superintendent  
 Center Unified  
 Elk Grove Unified  
 Folsom Cordova Unified  
 Grant Joint Union High  
 Natomas Union Elementary  
 Rio Linda Union Elementary  
 River Delta Joint Unified  
 San Juan Unified  
 Sacramento City Unified

**Community Colleges**

Los Rios

**San Benito County**

**K-12**  
 County Superintendent

**San Bernardino  
 County**

**K-12**  
 San Bernardino COE  
 Adelanto Elementary  
 Alta Loma Elementary  
 Baldy View ROP  
 Barstow Unified  
 Bear Valley Unified  
 Chaffey Union High  
 Chino Unified  
 Colton Joint Unified  
 Etiwanda Elementary  
 Fontana Unified  
 Helendale  
 Morongo Unified  
 Needles Unified  
 Ontario Montclair  
 Elementary  
 Rialto Unified  
 Silver Valley Unified  
 Upland Unified  
 Victor Elementary  
 Victor Valley Union High

**Community Colleges**

Chaffey  
 San Bernardino  
 Victor Valley

**San Diego County****K-12**

Borrego Springs Unified  
 County Superintendent  
 Cajon Valley Union  
 Elementary  
 Carlsbad Unified  
 Chula Vista City  
 Del Mar Union  
 Escondido Union Elementary  
 Escondido Union High  
 Fallbrook Union Elementary  
 Grossmont Union High  
 Julian Union Elementary  
 La Mesa Spring Valley  
 Lakeside Union Elementary  
 Mountain Empire Unified  
 Oceanside City Unified  
 Poway Unified  
 Ramona Unified  
 San Diego City Unified  
 San Marcos Unified  
 San Ysidro Elementary  
 Santee Elementary  
 Solana Beach Elementary  
 South Bay Union Elementary  
 Sweetwater Union High  
 Vista Unified  
 Warner Unified

**Community Colleges**

Grossmont Cuyamaca  
 Mira Costa  
 San Diego

**San Francisco County****K-12**

San Francisco Unified

**Community Colleges**

San Francisco

**San Joaquin County****K-12**

County Superintendent  
 Banta Elementary  
 Delta Island Union  
 Elementary  
 Escalon Unified  
 Holt Union Elementary  
 Lammersville Elementary  
 Lincoln Unified  
 Lodi Unified  
 Manteca Unified  
 New Hope Elementary  
 Oak View Union Elementary  
 Stockton City Unified  
 Tracy Elementary

**Community Colleges**

San Joaquin Delta

**San Luis Obispo County****K-12**

Lucia Mar Unified  
 Paso Robles Union  
 Elementary  
 San Luis Coastal Unified

**Community Colleges**

Cuesta  
 San Luis Obispo County

**San Mateo County****K-12**

Bayshore  
 Cabrillo Unified School  
 District  
 Hillsborough City  
 Jefferson Elementary  
 Las Lomitas Elementary  
 Menlo Park City Elementary  
 Portola Valley Elementary  
 Redwood City Elementary  
 San Mateo City  
 South San Francisco Unified

**Community Colleges**

San Mateo

**Santa Barbara County****K-12**

Cuyama Joint Unified  
 Goleta Union  
 Los Alamos Elementary  
 Santa Barbara County Office  
 of Education  
 Santa Maria Bonita

**Santa Clara County****K-12**

County Superintendent  
 Alum Rock Union Elemen-  
 tary  
 Berryessa Union Elementary  
 Central County Regional  
 Program  
 Cupertino Union  
 East Side Union High  
 Evergreen Elementary  
 Franklin McKinley Elemen-  
 tary  
 Gilroy Unified  
 Los Gatos-Saratoga Joint  
 Union High  
 Milpitas Unified  
 Moreland Elementary

Mountain View-Los Altos  
 Union High  
 San Jose Unified

**Community Colleges**

De Anza College  
 Foothill-De Anza  
 San Jose/Evergreen

**Santa Cruz County****K-12**

County Superintendent  
 Pajaro Valley Unified  
 San Lorenzo Valley Unified  
 Santa Cruz City Elementary

**Community Colleges**

Cabrillo

**Shasta County****K-12**

Enterprise School District  
 Millville Elementary

**Community Colleges**

Shasta Tehema Trinity

**Sierra County****K-12**

Sierra-Plumas Joint Unified

**Siskiyou County****K-12**

County Superintendent  
 Dunsmuir Joint Union High  
 Etna Union High  
 Klamath River Union  
 Elementary  
 Mt Shasta Union

**Solano County****K-12**

Benicia Unified  
 Fairfield-Suisun Unified  
 Vacaville Unified  
 Vallejo City Unified

**Sonoma County****K-12**

Analy Union High  
 Cloverdale Unified  
 Cotati-Rohnert Park Unified  
 Fort Ross Elementary  
 Sebastopol Union Elemen-  
 tary  
 Two Rock Union Elementary  
 Wright Elementary

**Community Colleges**

Sonoma County Junior  
 College

**Stanislaus County****K-12**

Hickman Elementary  
 Hughson Union High  
 Stanislaus Union Elementary  
 Turlock Joint Union High

**Community Colleges**

Yosemite

**Sutter County****K-12**

County Superintendent  
 Yuba City Unified

**Tehama County****K-12**

Los Molinos Unified  
 Red Bluff Union Elementary

**Trinity County****K-12**

County Superintendent  
 Southern Trinity Joint  
 Unified

**Tulare County****K-12**

Alpaugh Unified  
 Liberty Elementary  
 Lindsay Unified  
 Porterville Union High  
 Tulare County  
 Superintendent  
 Visalia Unified

**Ventura County****K-12**

Oak Park Unified  
 Oceanview Elementary  
 Oxnard Elementary  
 Rio Elementary

**Yolo County****K-12**

County Superintendent  
 Davis Joint Unified